

# MODERN SLAVERY STATEMENT

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UNDER THE MODERN SLAVERY  
ACT 2018 (CTH)

Victoria Teachers Limited, trading as Bank First  
(ABN 44 087 651 769)

REPORTING PERIOD: JULY 2020 – JUNE 2021

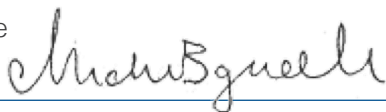
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This Modern Slavery Statement has been approved by the Victoria Teachers Limited (Bank First) Board of Directors on 23 November 2021, which has authorised its signing and endorsement by our Chief Executive Officer.

Signature



Michelle Bagnall  
Chief Executive Officer

Date

3 December 2021

# EXECUTIVE SUMMARY

This Modern Slavery Statement meets the requirements of the Modern Slavery Act 2018 (Cth) (the Act).

The mandatory reporting entity is Victoria Teachers Limited, trading as Bank First - ABN 44 087 651 769 (Bank First).

This Modern Slavery Statement is the second one that we have lodged under the Act. It reports on the progress of the due diligence and remediation measures undertaken during the current reporting period, along with our future plans for upcoming periods. Various aspects of our First Modern Slavery Statement are discussed throughout this Statement.

There has been no material change in the nature of our first-tier suppliers identified in our Initial Statement, reporting on the 2019-2020 financial year. We are pleased to report that our modern slavery risk profile remains unchanged, and has again been assessed as, overall, very low.

We recognise that a continual improvement approach is required to properly address modern slavery risks, and that this involves a long-term commitment. The measures introduced and implemented during the current reporting period represent a step in the right direction, not the achievement of an end goal.

One of our focus areas in the current reporting period has been on direct supplier engagement relating to modern slavery issues.

## During the period, Bank First has concentrated on increasing our modern slavery due diligence efforts in the following areas:



Updated and expanded risk assessment of our supply chains



Regular internal reporting of our modern slavery activities to our Board Audit Committee



Further specialised Internal and External Modern Slavery Training (as foreshadowed in our First Statement)



Screening and reporting procedures within our Banking Operations department and transaction monitoring within our Risk and Compliance department.



Adoption of our Modern Slavery Policy by our Board



Redevelopment of our Corporate Contracts Policy to incorporate modern slavery provisions, and updating of other policies and contracts

We have flagged the following priority areas as requiring targeted effort in future reporting periods:



Reviewing and updating our internal governance systems in relation to the role of our executive team in our modern slavery efforts



Facilitating annual modern slavery training for all employees



Updating our Material Outsourcing Policy



Review of our procurement processes



Due diligence and assessment of new third party relationships, focusing on suppliers in high risk categories



Continued review and development of Bank First's modern slavery framework for measuring effectiveness.

## PART TWO

# MANDATORY REPORTING REQUIREMENTS

### The reporting entity and controlled entities

Victoria Teachers Limited, trading as Bank First (ABN 44 087 651 769).

Bank First controls the entity, VTMB Properties Pty Ltd (ABN 21 005 972 805), which is not, itself, a mandatory reporting entity under the Act. Appropriate consultation between Bank First and VTMB Properties Pty Ltd has occurred in relation to the preparation of this statement and to our broader modern slavery response.

### The reporting entity's structure, operations and supply chains

Bank First is a customer owned mutual bank, and an Authorised Deposit-taking Institution (ADI).

As a mutual bank, the Members of Bank First are also its shareholders. Our profits are reinvested to strengthen the value received by our Members.

Bank First employs 211 full-time equivalent employees throughout Australia.

VTMB Properties Pty Ltd is a property holding company that owns the building where our headquarters are located. They hold a contract to lease the premises to one other tenant and do not have any third-party suppliers.

## PART TWO: MANDATORY REPORTING REQUIREMENTS: PRELIMINARY INFORMATION

The direct operational supply chain of Bank First includes almost 400 direct suppliers, who provide goods and services from the following industries:



Insurance



Post services



Computer and technical services



Advertising services



Security brokering and dealing



Interest groups and community organisations



Electronic equipment



Retail trade



Market research and business management services



Real estate agent services



Domestic telecommunication services



Account services



Non-banking finance



Education

There has been no material change in the nature of our first-tier suppliers identified in our Initial Statement. They are still primarily Australia-based, with a smaller share located in the United States of America and Europe.

There has also not been any material change in our investments since the first reporting period, which detailed the 2019-2020 financial year. Our investment portfolio remains one that is dominated by other banks and financial service providers with operations throughout Australia.

# MODERN SLAVERY RISK ASSESSMENT

The modern slavery risk areas identified and analysed in Part Three of our First Statement remain applicable to the subject reporting period.

No actual or suspected instances of modern slavery were identified in our operations and supply chains during the reporting period.

In keeping with our statutory obligation to continually monitor the risks of modern slavery in our operations and supply chains, Bank First has continued with our engagement of external subject matter experts, including for the ongoing process of monitoring our operational supply chains, investment portfolios, and lending for modern slavery risks to the tenth tier in the current reporting period.

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

The three industry categories that were identified as potentially having the highest modern slavery risks in our operational supply chains are:



Computer and technical services and electronic equipment



Insurance



Security broking and dealing



## COMPUTER/TECHNICAL SERVICES AND ELECTRONIC EQUIPMENT

Computer / technical services and electronic equipment accounted for the highest relative risk for modern slavery that was assessed within Bank First's supply chains. It consisted of more than one-quarter of our overall procurement spending over the reporting period.

### Modern Slavery Risks

Modern slavery risks in this supply chain are most likely situated at least in the 3rd tier and beyond. Most of the electronic equipment imports used in Australia are likely sourced from the Asia region, particularly China and Malaysia. It is within these more remote tiers that there is a heightened risk of migrant and other vulnerable workers being more exposed to exploitation and forced labour.

We recognise the growing evidence and international awareness surrounding the exploitation of Uyghur and other minorities people groups for forced labour in Xinjiang, China specifically in the production of electronics. We also acknowledge evidence of the prevalence of forced labour within electronics factories located in Malaysia.<sup>1</sup>

## PART THREE: MODERN SLAVERY RISK ASSESSMENT

### Direct Supplier Review

Our external modern slavery experts have reviewed our list of direct suppliers to confirm whether they are listed as companies that are alleged to have benefited from the forced labour of Uyghur workers, either directly or indirectly.<sup>2</sup>

Two of our suppliers, both globally recognised brands with major market presence in the computer and electronics industry, have recently been reported by the Australian Strategic Policy Institute as being amongst almost 100 companies that allegedly have supply chains linked with the procurement of goods and/or services that are either directly or indirectly linked to Xinjiang labour transfer schemes.

One of these companies has denied the allegations and confirmed its position that it does not source from the Xinjiang Province. The specific issue of allegations that ethnic Uyghurs are subject to forced labour in factories outside of Xinjiang Province, including those supplying the electronics industry, is acknowledged, but seemingly not to the extent that the supplier accepts the conclusion that this has specifically tainted its supply chains.

The other company does not appear to have responded publicly to the allegations that it has supply chains tainted by Uyghur forced labour. This non-responsiveness is of particular concern given that the Report containing the allegations was first published in March 2020.

Both companies self-report as having robust and comprehensive due diligence and remedial measures in place to address modern slavery risks. Both companies (or their parent corporations) are mandatory reporting entities under the Australian and United Kingdom modern slavery legislation.

### Next Steps

Bank First considers this to be an area where close and ongoing monitoring of the situation is warranted, particularly given the increasing scrutiny appropriately being given to the issue. A decision as to whether the ongoing response (or non-response) to the allegations should appropriately lead to direct supplier action (such as a change in suppliers) is expected to be made in the next reporting period.

We also acknowledge the elevated potential risks of modern slavery connected with the mining and refinement of raw materials used in the manufacture of electronic products, including lithium-ion batteries. Lithium-ion batteries are often produced using the raw material cobalt, that may potentially be sourced and mined in high-risk regions, such as in the Democratic Republic of Congo (DRC). There is mounting evidence of the prevalence of the use of child labour and forced labour occurring in DRC cobalt mines. As with virtually any modern-day business that depends significantly on electronic products, including portable devices powered by lithium-ion batteries, we acknowledge this as an issue that can be linked to our day-to-day operations.

Bank First is aware that our day-to-day operations involve the use of lithium-ion powered devices, including company issued smart phones, tablets, laptops and headsets. We will consider the ongoing procurement practices in relation to these electronic devices in future reporting periods.

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<sup>1</sup> <https://www.verite.org/wp-content/uploads/2016/11/VeriteForcedLaborMalaysianElectronics2014.pdf>

<sup>2</sup> See Australian Strategic Policy Institute's (ASPI) 2020 report: Uyghurs for sale: 'Re-education', forced labour and surveillance beyond Xinjiang: <https://www.aspi.org.au/report/uyghurs-sale>

## PART THREE: MODERN SLAVERY RISK ASSESSMENT



### INSURANCE SERVICES AND FINANCIAL SECURITIES BROKERING/DEALING

Bank First attributes our relatively high spend in both of these general industry areas as the primary reason for the elevated rating in the initial risk assessment, rather than due to any proximate risk factor that can be the subject of meaningful and direct due diligence and remediation measures.

Both of these general industry categories in Australia are, as a whole, low risk for modern slavery. However, in terms of supply chain inputs, insurance services providers have a relatively high reliance on electronic and technological inputs. This, in turn, leads to a similar risk profile as the computer / technical services and electronic equipment industry categories discussed above, albeit at a slightly deeper tier of the supply chain.

Given the overlap in risk factors, we have concluded that the appropriate due diligence approach is the same for our supply chains in these industry categories.



### INVESTMENT PORTFOLIO

Bank First has also assessed our investment portfolio for potential modern slavery risks during the subject reporting period.

Bank First is only invested in Australian based regional banks, diversified banks or specialised finance. As a result, the direct modern slavery risks within these investments is assessed as being, relative to other investment strategies, very low.

In terms of Bank First investments in both Australian based regional and diversified banks, the only modern slavery risks of note arise from the reliance on computer and technical services, as discussed above.



# ADDRESSING MODERN SLAVERY RISKS

Bank First remains committed to improving our response to modern slavery risks in our operations and supply chains. During the subject reporting period, we introduced additional due diligence measures, detailed below.



## INCREASED SUPPLIER ENGAGEMENT

Bank First has expanded the use of supplier self-assessment questionnaires. As set out in our Initial Statement reporting on the 2019-2020 financial year, a primary aim during the current reporting period was to more fully engage with our suppliers on modern slavery issues.

**We have now provided supplier self-assessment questionnaires to selected suppliers from industries with potentially elevated modern slavery risk profiles. The supplier questionnaires requested the following information:**



Organisational structure of suppliers, including relationships to other entities reporting under the Act



Supplier engagement and auditing processes



Measures and processes utilised to identify and address Modern Slavery risks in their supply chains



Targeted Policies and Procedures



Modern Slavery training and education provided to staff

**We issued over 60 surveys to selected suppliers in the following industries:**



Computer and Technical Services (including electronic equipment goods)



Security broking and dealing



Insurance

As with the Initial Risk Assessment, Bank First engaged external subject matter experts to facilitate the supplier self-assessment questionnaire process, including review of the responses received. Consistent with the approach throughout this Statement, Bank First has maintained the anonymity of its suppliers who have completed the Questionnaire. This is to ensure that commercial confidence is preserved, and to maximise the likelihood of meaningful and candid participation by Bank First's suppliers in future modern slavery risk assessment and mitigation activities. A limited response was received from only approximately 15% of suppliers surveyed.

This indicates to us that engagement and collaboration on modern slavery issues remains in its relative infancy across the full spectrum of suppliers. We hope that this will improve as more entities come to realise that modern slavery issues represent an important component of overall environmental, social, and governance (ESG) practices in business.

## PART FOUR: ADDRESSING MODERN SLAVERY RISKS

**In relation to the relatively small minority of suppliers that did respond to the questionnaire, the following conclusions could be drawn:**

-  There is quite a wide range of awareness relating to the risks of modern slavery in supply chains
-  Half of the responsive suppliers are, themselves, reporting entities under the Act, with a clear correlation between these suppliers and more robust organisational frameworks for dealing with risks of modern slavery
-  Most responsive suppliers had either implemented, or were actively developing, policies and other due diligence measures to assess and mitigate risks in their own supply chains
-  Most responsive suppliers have either received, or were in the process of receiving, appropriate risk assessment training for their staff
-  All responsive suppliers bar one have sought to achieve visibility below the first tier of their supply chains

The low level of participation in self-assessment questionnaires this reporting period mirrored the results for the previous reporting period. Given the continued low rate of engagement during consecutive years, we acknowledge that other methods of supplier engagement, including active management of suppliers, need to be utilised to raise response rates and to foster and promote meaningful partnerships between Bank First and our suppliers in addressing modern slavery issues and awareness.



### SUPPLIER EDUCATION AND TRAINING

To address the issues posed by minimal supplier engagement in the first reporting period, Bank First committed to offering a free training program for non-responsive suppliers. The objective of the training program was to increase supplier awareness of key modern slavery risk issues and in turn promote increased supplier engagement.

During the reporting period Bank First offered the previously foreshadowed educational training module to select suppliers, with the aim of it being completed in conjunction with their questionnaire.



### INTERNAL EDUCATION AND TRAINING

We have implemented a hands-on and top-down approach to integrating education as a tool to anchor our commitment to addressing modern slavery issues. One of Bank First's directors has industry experience as a director of a non-government organisation (NGO) promoting the eradication of modern slavery, 'Mekong Club'. This Director delivered an interactive training presentation to staff in March 2021. A total of 79 staff attended the Director-led workshop.

During the reporting period Bank First has also supplemented the interactive training with a modern slavery online training module that was assigned to all staff.

## PART FOUR: ADDRESSING MODERN SLAVERY RISKS

Bank First engaged external subject matter experts to deliver specialised and industry targeted training to the entire Anti-Money Laundering and Counter Terrorism Financing team within the Risk and Compliance department, on financial crime and financial tracing in modern slavery which focused on the following key topics:

- ✓ General indicators of modern slavery
- ✓ Screening tools to identify money laundering-type indicators of modern slavery
- ✓ The effectiveness of financial tracing in relation to detection of online sexual exploitation of children
- ✓ Macro and high-level financial tracing in relation to outputs as an indicator of modern slavery
- ✓ The nexus between modern slavery and organised criminal activity
- ✓ The efficacy of elimination based financial tracing as part of modern slavery risk assessments
- ✓ The use of financial tracing in assisting modern slavery prosecutions



### INTERNAL GOVERNANCE AND POLICIES

In our First Statement, we detailed various policies that were under development.

Our Board's Governance, Culture, Remuneration and Accountability Committee has now reviewed and approved our Modern Slavery Policy.

We have also updated our Corporate Contracts Policy to set out the requirements for entering into and renewing contracts and third-party agreements. Our Head of Compliance, Chief Risk Officer and Chief Executive Officer have reviewed and approved this Policy during the current reporting period.

We have earmarked the implementation of our updated Material Outsourcing Policy to occur during the next reporting period.



### SCREENING AND REPORTING PROCEDURES

As a member of the financial payment industry, we acknowledge the nexus between online child sexual exploitation and services that facilitate online payments and transfers of funds.<sup>3</sup>

At Bank First, we currently utilise American Express (AMEX) to facilitate our international transfers. AMEX has screening and reporting procedures in place to minimise the risk of child exploitation using their funds transfer facilities.

On a more local level, our Banking Operations department is also cognisant of the child exploitation typographies. We have instituted processes to minimise this specific risk.

<sup>3</sup> <https://www.icmec.org/wp-content/uploads/2016/03/FCACPIInternetMerchantSoundPracticesFinalMarch2016.pdf>

# MEASURING THE EFFECTIVENESS OF OUR APPROACH

Bank First has measured its performance against key indicators to assess our modern slavery response and the rollout of the initiatives outlined in this Statement.

We have instituted quarterly status updates to the Board Audit Committee, as part of our continual monitoring of implemented measures that are detailed above at Part Four.

The key indicators we have adopted for this reporting period are the specific benchmarks arising out of our 'next key steps', set out in our Initial Statement at Part Seven. The focus for this reporting period has been in relation to supplier engagement and so our key indicators are reflective of this.

**The following is a summary of our actions in relation to the key indicators set out in our Initial Statement:**



### **Pursuing a period of further supplier engagement**

We have used the current reporting period to continue introducing and implementing modern slavery measures tailored around engaging our suppliers. This has included issuing additional supplier questionnaires, performing due diligence in relation to suppliers with possible links to forced labour schemes in the Xinjiang region and providing educational material.



### **Providing online education modules to selected suppliers**

We have successfully implemented this goal in the current reporting period. We provided all targeted suppliers with a modern slavery specific online training seminar.



### **Partnering with suppliers for ongoing processes due diligence and remediation**

Bank First considers this to be an ongoing measure that requires continued implementation within future reporting periods. As noted above, during the current reporting period, the low levels of engagement through supplier questionnaires are indicative that other means of partnership may need to be explored in the next reporting period.

We intend to update our measuring effectiveness framework on a continual basis, to ensure that our response is tailored to our evolving circumstances and to reflect the best practice in modern slavery due diligence.

# CONSULTATION WITH CONTROLLED ENTITIES

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All necessary consultation and engagement across all controlled entities has occurred in relation to the modern slavery response over the reporting period, as set out in this Statement. Bank First has addressed the mandatory reporting criteria on behalf of all entities it owns or controls.

# ANY OTHER RELEVANT INFORMATION

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## IMPACT OF COVID-19

During the current reporting period, the ongoing COVID-19 pandemic impacted our operations and supply chain, to the extent that we have been required to source additional cleaning services. However, this did not materially change our modern slavery risk or the implementation of our modern slavery response.

# INITIAL RISK ASSESSMENT METHODOLOGY SUMMARY

As discussed in Part 3 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 previously 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 Bank First'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:



i. The United Nations' (UN) System of National Accounts;



ii. UN COMTRADE databases;



iii. Eurostat databases;



iv. The Institute of Developing Economies, Japan External Trade Organisation (IDE/JETRO); and



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

## The MRIO is then examined against the following international standards:

i. The UN Guiding Principles on Business and Human Rights;

ii. The Global Slavery Index;

iii. International Labour Organisation (ILO) Global Estimates of Modern Slavery; and

iv. 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 Bank First.

This analysis was performed for the purposes of risk identification under Section 16(1)(c) of the Act. No information confirms the actual existence or non-existence of slavery in Bank First'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:



1. The individual suppliers, investments and industries with the most elevated risk of modern slavery



2. Supply chain and investment plots to provide a visual representation of the supply chain and investment supply chains for Bank First's top three first tier industries



3. Plotting the relative slavery risk in the supply chain and investment by tier, up to tier 10



4. Geographical depiction of the cumulative risk of modern slavery across the supply chain and investments around the world



5. An overview of the classification of the first tier of our supply chain and investments by country and industry, including relative modern slavery risk



6. Suppliers and investments in our supply chains and operations that posed any calculated risks in relation to modern slavery were identified

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