



# Addressing modern slavery in the Victorian healthcare sector

Modern Slavery Risk Mitigation Program



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## 2. Introduction and executive summary

- 2.1 Millions of people around the world today are subjected to modern slavery practices, such as forced labour, servitude, and debt bondage. These are grave violations of human rights and serious crimes with traumatising impacts, which have no place in the supply chains of healthcare sector goods and services.
- 2.2 HealthShare Victoria (HSV) believes that we can better support the Victorian healthcare sector to combat modern slavery in the operations and supply chains of public hospitals and health services under the *Health Services Act 1988* (Vic). There is a high risk that public hospitals and health services are benefiting from modern slavery in supply chains, including through access to cheaper labour and services. However, existing measures do not directly support the healthcare sector to respond to modern slavery risks.
- 2.3 HSV is proposing a Modern Slavery Risk Mitigation Program (Program) that will equip and enable the healthcare sector to respond more effectively to modern slavery and develop and maintain responsible and transparent supply chains. It supports improved awareness of this issue and provides consistency and certainty for healthcare sector suppliers. This includes requiring suppliers to understand the risks of modern slavery in their supply chains and take appropriate action to identify and address those risks.
- 2.4 The Program establishes mandatory minimum standards and requires suppliers to commit to and demonstrate progressive realisation of the standards. The standards align with the expectations of the *Modern Slavery Act 2018* (Cth), the Victorian Government Supplier Code of Conduct and the United Nations Guiding Principles on Business and Human Rights. A Modern Slavery Function within HSV will apply, monitor, and administer the Program.
- 2.5 The Program provides a uniform approach, reduces the operational burden of health services, allowing them to focus on patient care outcomes, delivering benefits to health services and to Victorians.
- 2.6 The Program provides certainty for suppliers by setting clear standards for action and creating a level playing field with a sustainable approach.
- 2.7 The Program aligns with HSV's vision of health, safety and value in everything we do and with our values, including accountability and customer centric.
- 2.8 HSV is committed to ensuring that the Program reflects healthcare sector expectations. Therefore, we will work closely with the healthcare sector to collaboratively implement the Program so that it is as effective as possible.

## 3. Modern slavery background

### 3.1 Why is modern slavery a problem for the healthcare sector?

- a. Human trafficking, slavery, and slavery-like practices such as forced labour, servitude, and debt bondage are severe violations of human rights and serious crimes. Collectively, these exploitive practices are often described as 'modern slavery'. In a globalised economy, it is critical to collaborate to identify, respond to and prevent modern slavery in the supply chains of healthcare sector goods and services. Everybody has a role to play to combat modern slavery and HSV is committed to providing leadership to the sector.

### 3.2 The extent of the problem

- a. Globally, there is no single agreed estimate of the total number of modern slavery victims. Estimates suggest there are up to 49.6 million people experiencing modern slavery around the world.<sup>1</sup> The International Labour Organization (ILO) approximates that 27.6 million people worldwide are held in forced labour alone.<sup>2</sup> Of these, 17.3 million people are exploited in global supply chains in the private economy<sup>3</sup> and the Asia-Pacific region has the largest number of people in forced labour.<sup>4</sup>
- b. No country is immune from modern slavery, including Australia. Current estimates suggest that over 1,900 people in Australia are victims of modern slavery.<sup>5</sup> However, modern slavery is often underreported and not all cases in Australia may be identified. Only 1 in 5 victims of modern slavery are identified. This means that 80% of victims remain in modern slavery in Australia.<sup>6</sup> The Australian Government established its current comprehensive response to modern slavery in 2004. Between 2004 to 2021, 1,670 modern slavery cases were referred to the Australian Federal Police and 31 offenders were convicted under the *Commonwealth Criminal Code* which criminalises human trafficking, slavery, and slavery-like practices.

<sup>1</sup> International Labour Organisation, 2022 Global Estimates, *Global estimates of modern slavery: forced labour and forced marriage*, September 2022, p. 2 (2022 Global Estimates).

<sup>2</sup> International Labour Organisation, 2022 Global Estimates, p. 22.

<sup>3</sup> International Labour Organisation, 2022 Global Estimates, p. 25.

<sup>4</sup> International Labour Organisation, 2022 Global Estimates, p. 24.

<sup>5</sup> Anti-Slavery Australia, *Slavery in Australia*, available at: <https://antislavery.org.au/modern-slavery/>. See also, Australian Institute of Criminology, *Estimating the dark figure of human trafficking and slavery victimisation in Australia*, 2019, p. 6.

<sup>6</sup> Anti-Slavery Australia, *Slavery in Australia*, available at: <https://antislavery.org.au/modern-slavery/>.

- c. Modern slavery can occur in any industry and exists in both the formal and informal economies. This means that modern slavery can be present at all stages of supply chains and in many different settings. The U.S. Government has identified 156 goods from 77 countries that it believes are produced through child or forced labour.<sup>7</sup>
- d. Australian supply chains are closely linked with countries and businesses in the Asia-Pacific region and many products are at high risk of being produced by forced labour and child labour.<sup>8</sup> Many Australian businesses have highly developed and multi-layered supply chains that span a range of countries and regions, increasing the risk of modern slavery practices.

		
<b>49.6 million global victims</b>	<b>Only 1 in 5 victims identified</b>	<b>17.3 million private sector victims</b>

**3.3 The healthcare sector**

- a. The healthcare sector is considered high risk for modern slavery practices, given the nature of the sector, geographical location of production facilities, and lack of transparency in supply chains.<sup>9</sup> The broad range of operating activities in the healthcare sector requires the sourcing of goods from other high-risk sectors where base-skill labour, vulnerable populations and business models comprising extensive sub-contracting and the intersection of the informal economy, is mixed with a lack of transparency in recruitment practices and the use of agency labour contractors.
- b. Across HSV’s procurement categories<sup>10</sup> (clinical, indirect products and services, information technology, medical equipment, pharmaceuticals) the risk of modern slavery practices is connected to each stage of the sourcing and production of goods and delivery of services supply chains.

**c. Example 1**

<b>Procurement category and good: clinical, wound care<sup>11</sup></b>			
<b>Stages in supply chain</b>			
Raw Material	Refining/Processing Raw Materials	Manufacturing	Distribution
Commonly used raw materials include crude oil, wood fibre, cotton and silver	Commonly involves manufacture of plastic material, cellulose and viscose	Production of finished wound care items	Involves packaging and distribution by ships and vehicles
<b>Modern slavery practices</b>			
Human trafficking, forced labour, worst forms of child labour, debt bondage, deceptive recruitment	Human trafficking, forced labour, worst forms of child labour, debt bondage, deceptive recruitment	Human trafficking, forced labour, worst forms of child labour, debt bondage, deceptive recruitment	Human trafficking, forced labour, debt bondage, deceptive recruitment

- d. In pharmaceutical supply chains, the use of labour hire companies increases the risk of modern slavery practices.
- e. **Example 2**

<sup>7</sup> Bureau of International Labor Affairs, *List of Goods Produced by Child Labor or Forced Labor*, 2021.  
<sup>8</sup> Australian Government, Joint Standing Committee on Foreign Affairs, Defence and Trade, *Modern Slavery and Global Supply Chains – Final Report*, 2017, para 3.128.  
<sup>9</sup> United Nations Development Programme, *Sustainable Health Procurement Guidance Note*, 2020, p.18; UK Government, *Tackling Modern Slavery in Government Supply Chains – A Guide for Commercial & Procurement Professionals*, 2019. p. 18; Australian Human Rights Commission and KPMG, *Modern Slavery in the Health Services Sector – Practical Responses for Managing Risk to People*, 2021, p. 14-15. See also, The Australia Institute and the Australia Nursing & Midwifery Federation, *Procurement of Medical Goods by Australian Companies and Government*, 2017.  
<sup>10</sup> Also referred to as procurement stream or sourcing stream.  
<sup>11</sup> Includes polyurethane foam dressings, wound films, plasters, tape, bandages, compresses, suture tape, elastic bandages, and gauze bandages.

Procurement category: pharmaceutical		
Stages in supply chain		
Raw Material	Manufacturing	Distribution
Active pharmaceutical ingredient and other additives	Drug formulation	Involves packaging and distribution by ships and vehicles
Modern slavery practices		
Hazardous working conditions Labour hire companies	Hazardous working conditions Labour hire companies	Human trafficking, forced labour, debt bondage, deceptive recruitment

- f. Commonly, labour hire companies have low barriers for entry, creating vulnerable worker populations, with wage theft, excessive working hours and hazardous conditions, which can deteriorate into modern slavery practices, particularly at lower tiers of pharmaceutical supply chains.
- g. Australia is reliant on imports of goods from each of the five procurement categories (clinical, indirect products and services, information technology, medical equipment, pharmaceuticals) from global supply chains for the supply of these essential goods to health services.
- h. The risk of modern slavery practices is usually highest when raw materials are extracted and products are produced at the lower tiers of global supply chains, particularly in developing countries where there is less human rights regulation, oversight and/or enforcement. Goods that have received higher visibility in recent times for their high occurrence of modern slavery in their production and in sourcing of raw materials are:
  - i. Gloves
  - ii. Surgical instruments (scissors, forceps, scalpels, suture needles)
  - iii. Patient clothing
  - iv. Uniforms of health care professionals
  - v. Sheets, towels, and other textiles, and
  - vi. Electronic health care equipment.
- i. Increased life expectancy and an ageing population will increase demand for these and other healthcare goods, further heightening modern slavery risk. The number of Australians aged 65 or over is expected to increase 60% by 2030.<sup>12</sup> The Commonwealth Parliamentary Budget Office estimates an additional increase of \$3 billion in spending over the next decade.<sup>13</sup>
- j. Modern slavery in the healthcare sector is not limited to global supply chains of healthcare goods. The intersection with other high risk industries, for example, cleaning, construction, security services and food services, exposes health services to the risk of modern slavery practices in their domestic operations and supply chains. Many of these industries employ a high percentage of migrant workers who enter Australia through its temporary visa scheme designed to fulfil Australia’s labour shortages. Migrant workers are a recognised at-risk population group for modern slavery practices.

**3.4 Impact of COVID-19 pandemic**

- a. The COVID-19 pandemic has heightened the risk of modern slavery practices in the healthcare sector. The COVID-19 pandemic has posed unprecedented challenges, disrupting supply chains, causing many workers to lose their jobs, and being forced to look for opportunities in informal economies, which are suspected to be rife with exploitation.
- b. Businesses in Australia and in offshore supply chains, particularly in the Asian-Pacific region, are contending with difficult human rights trade-offs to secure their financial viability. The COVID-19 pandemic has also provided employers with stronger incentives and greater latitude for exploitation as there is reduced scrutiny of labour standards.
- c. Emerging literature<sup>14</sup> evidences the increased use of modern slavery practices and other illegal and harmful activities that may also escalate into modern slavery as health services respond to the COVID-19 pandemic

<sup>12</sup> Australian Human Rights Commission and KPMG, *Modern Slavery in the Health Services Sector – Practical Responses for Managing Risk to People*, 2021, p. 39.

<sup>13</sup> Commonwealth Parliamentary Budget Office, *Australia’s ageing population*, 2019, p. 16; Australian Human Rights Commission and KPMG, *Modern Slavery in the Health Services Sector – Practical Responses for Managing Risk to People*, 2021, p. 39.

<sup>14</sup> See for example, Australian Human Rights Commission and KPMG, *Modern Slavery in the Health Services Sector – Practical Responses for Managing Risk to People*, 2021, p. 16, 23; International Labour Organization, *Covid-19 and Child Labour: A Time of Crisis, A Time to Act*, 2020; Commonwealth of Australia, *Modern Slavery Statement*, 2021, p. 24; British Medical Association, *Labour Rights Abuse in Global Supply*

and the drastic demand for healthcare goods, in particular PPE within highly contracted timeframes. This includes:

- i. Child labour
- ii. Forced labour
- iii. Debt bondage
- iv. Unsafe working conditions
- v. Excessive working hours
- vi. Underpayment and non-payment of wages, and
- vii. High recruitment fees.

### 3.5 The role of health services and HSV

- a. Victorian health services may be exposed to modern slavery risks through their operations and supply chains. HSV is a supplier to health services.
- b. Modern slavery risks can be particularly significant in the healthcare sector which has complex or changeable multi-national supply chains that make it difficult to monitor supplier practices. Further, where operations are based in countries with weak regulatory environments may enhance vulnerability to modern slavery. However, as noted above modern slavery can also occur in domestic operations and supply chains in Australia, including through contracted labour or service providers.
- c. Due to their market influence, health services and HSV are well placed to play a key role in combating modern slavery. No health service or HSV should tolerate modern slavery or other serious abuses of human rights in their operations or supply chains. This is consistent with the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles), which require organisations to respond to human rights impacts that are 'directly linked to their operations, products or services.' Australia supports the UN Guiding Principles and encourages organisations to apply them in their operations.
- d. Modern slavery practices are serious crimes. Organisations involved in modern slavery may face significant legal penalties, including criminal and civil sanctions. Taking steps to address modern slavery risks is also good organisational practice. Conversely, the presence of modern slavery can cause reputational damage and affect stakeholder confidence.

### 3.6 Modern Slavery Act 2018 (Cth)

- a. The *Modern Slavery Act 2018 (Cth)* (MSA) has established Australia's national Modern Slavery Reporting Requirement (Reporting Requirement). Large organisations with over AU\$100 million annual consolidated revenue must prepare annual Modern Slavery Statements (Statements).
- b. Statements must explain what the organisation is doing to assess and address modern slavery risks in its domestic and global operations and supply chains. There are seven mandatory criteria for the content of Statements:
  - i. Identify the reporting entity
  - ii. Describe the reporting entity's structure, operations and supply chains
  - iii. Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls
  - iv. Describe the actions taken by the reporting entity and any entities it owns or controls to assess and address these risks, including due diligence and remediation processes
  - v. Describe how the reporting entity assesses the effectiveness of these actions
  - vi. Describe the process of consultation with any entities the reporting entity owns or controls, and
  - vii. Provide any other relevant information.
- c. Statements must be approved and signed at Board or equivalent level and be provided to the Minister for Home Affairs<sup>15</sup> by 31 December each year for publication on an online central register that is publicly accessible and free of charge.
- d. The Australian Government has the power to publicly name organisations that fail to comply with the Reporting Requirement. An expectation of the MSA is continuous improvement.
- e. Entities that fall beneath the revenue threshold are able to comply with the Reporting Requirement on a voluntary basis.

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*Chains for PPE through Covid-19 – Issues and Solutions*, 2021; Brian, S, et al, *The Invisible People Behind Our Masks*, Annals of Internal Medicine, 2021; Murray, J and Malik, A, *Modern Slavery and Covid-19: Are We Really All in the Same (Life)boat?*, University of Sydney, 2020; Bhutta, M, et al, *Forced Labour in the Malaysian Medical Gloves Supply Chain before and during the COVID-19 Pandemic: Evidence, Scale and Solutions*, 2021.

<sup>15</sup> With the election of the Labor Party, this portfolio may change. The Labour Government has indicated an office within the Attorney-General's Department.

- f. HSV understands that the Reporting Requirement currently applies to 26 mandated health services and four non-mandated health services.

### 3.7 Review of the Modern Slavery Act 2018 (Cth)

- a. A review of the MSA commenced on 31 March 2022. The review is considering the operation of the MSA over the first three years and whether any additional measures are necessary to improve compliance with, and operation of, the MSA.
- b. In particular, the review will consider the issues of civil penalties for non-compliance, the appropriateness of the \$100 million reporting threshold and the appointment of an Anti-Slavery Commissioner.
- c. The Commonwealth Government (Government) has committed to consulting with various stakeholders, including business and advocacy groups in amending the MSA to introduce penalties for non-compliance. The Government is of the view that the MSA “*doesn’t go far enough – there are no penalties for non-compliance and many Australian businesses are simply treating it as a box-ticking exercise.*”<sup>16</sup>
- d. In relation to the \$100 million reporting threshold, the Government’s policy position is not yet clear. However, in 2018, when the MSA was being debated in the House of Representatives, whilst no formal amendment was brought forward, the then Labor Party did express the need to consider lowering the threshold for companies from \$100 million down to \$50 million in line with legislation in the United Kingdom.
- e. This would further increase the Victorian public health sector reliance on HSV to support the expanded number of health services required to publish a Modern Slavery Statement.
- f. The Government has committed to appointing an Anti-Slavery Commissioner to oversee the compliance and enforcement of the MSA.<sup>17</sup>
- g. The Government’s response to modern slavery also involves additional commitments beyond the scope of the review. The Government has committed to:
- Tasking the Anti-Slavery Commissioner to monitor the effectiveness of all Federal and State institutions to tackle modern slavery
  - Publish an annual list of countries, regions, industries, and products with a high risk of modern slavery, and
  - Require companies importing from these places to prove goods are not made with forced labour.<sup>18</sup>

### 3.8 What can HSV do to assist health services to address modern slavery?

- a. The healthcare sector, as the previous section evidenced, is considered at high risk for modern slavery practices. HSV acknowledges this risk operating context of the healthcare sector.
- b. HSV also acknowledges increased life expectancy and an ageing population, will increase demand for healthcare goods and services, further heightening the risk of modern slavery practices in domestic and global operations and supply chains.
- c. HSV is also cognisant of the commitments outlined by the Government to strengthen the MSA and enhance the due diligence requirements for modern slavery practices.
- d. In consideration of these factors and to meet current and forthcoming requirements and to better deliver on our support functions of the Health Services Act 1988 (Vic) (HSA) to health services,<sup>19</sup> HSV will work towards establishing a modern slavery function, to implement a sustainable modern slavery risk mitigation approach for the healthcare sector. This includes:
- For HSV direct<sup>20</sup> and indirect<sup>21</sup> suppliers – implementing a modern slavery risk mitigation program, and
  - For health services’ other suppliers – undertaking appropriate due diligence as well as enhancing mitigation and support services.
- e. Procuring health-related goods and services for Victorian public hospitals and health services is a core purpose of HSV. HSV is in a unique position to use its substantial leverage over the conduct of suppliers and market practices to drive positive change to address potential modern slavery risks in health supply chains.

### 3.9 Establishing a modern slavery function

- a. The purpose of the modern slavery function (MSF) is to:
- Apply, monitor, and administer a modern slavery risk mitigation program for the healthcare sector

<sup>16</sup> Australian Labor Party, *Tackling Modern Slavery*, available at: <https://www.alp.org.au/policies/tackling-modern-slavery>

<sup>17</sup> Australian Labor Party, *Tackling Modern Slavery*, available at: <https://www.alp.org.au/policies/tackling-modern-slavery>

<sup>18</sup> Australian Labor Party, *Tackling Modern Slavery*, available at: <https://www.alp.org.au/policies/tackling-modern-slavery>

<sup>19</sup> Section 131, *Health Services Act 1988* (Vic).

<sup>20</sup> Direct suppliers are suppliers who: (a) provide goods and/or services directly to HSV or (b) provide goods directly to HSV for distribution to health services via the HSV distribution centre.

<sup>21</sup> Indirect suppliers are suppliers who provide goods and/or services under a collective agreement.


- ii. Avoid duplication of due diligence activities amongst health services
  - iii. Encourage uniform and standardised risk mitigation actions
  - iv. Facilitate decision-making equity across the healthcare sector
  - v. Meet the critical need for operational assistance requested by health services to meet their MSA compliance obligations, and
  - vi. Strengthen support for health services in an increasing complex modern slavery risk operating environment.
- b. The MSF reduces the operational burden of health services, allowing them to focus on patient care outcomes, delivering benefits to health services and Victorians.
- c. The MSF facilitates proactive mitigation, moving HSV and health services from a position of risk to establishing systems and implementing actions to address modern slavery and mitigate the risks to supply chains in the Victorian healthcare sector. This organisational and strategic shift is critical, considering the current and emerging factors outlined above and given HSV's procurement spend and market share across the sector.

#### 4. HSV modern slavery risk mitigation program

- a. The Modern Slavery Risk Mitigation Program (Program) has been designed within the parameters of HSV's statutory functions and powers under the HSA.
- b. The Program will establish a minimum set of mandatory standards for conduct for suppliers (Standards). The Program will require suppliers to commit to the Standards, which includes, demonstrating progressive realisation of the Standards.
- c. The Program expects suppliers to provide goods and services in a manner consistent with the MSA to proactively identify, assess, address and report on the risk of modern slavery practices in their business operations and supply chain.
- d. The Program aligns with universally accepted principles for addressing modern slavery.<sup>22</sup>

##### 4.1 Mandatory minimum standards

- a. The Standards uphold principles of human rights and integrates appropriate labour and human rights policies and practices into a supplier's business operations and supply chains. The Standards align with the UN Guiding Principles, the MSA and the Victorian Government Supplier Code of Conduct.
- b. The Standards fall within five categories.

Policy	Due Diligence	Remedy	Training	Effectiveness
A policy commitment to meet their responsibility to respect human rights (modern slavery)	A modern slavery due diligence process to identify, prevent, mitigate, and account for how they address their modern slavery impacts	A process to enable the remediation of any adverse modern slavery impacts they cause or to which they contribute	Training for personnel in relevant business functions in their own operations and supply chain	To verify whether adverse modern slavery impacts are being addressed, track the effectiveness of their response
				

- c. The Standards will require that suppliers, within their own business operations and supply chains:
  - i. Have the building blocks for the management of modern slavery risk
  - ii. Demonstrate progression towards implementation of processes and procedures to manage modern slavery risk
  - iii. Undertake supply chain risk assessments and risk mitigation processes, and where appropriate, remediation
  - iv. Have a viable system in place for managing and monitoring modern slavery risk and measuring effectiveness of their response, and
  - v. Can evidence through records and examples, continuous improvement towards realisation of the Standards.

<sup>22</sup> This includes the UN Guiding Principles, OECD Guidelines for Multinational Enterprises, OECD Due Diligence Guidance for Responsible Business Conduct, ISO26000 – Social Responsibility, ISO20400 – Sustainable Procurement, UN Global Compact Principles.



**4.2 Engaging with prospective suppliers**

- a. Over the next two years, HSV has planned approaches to the market that involve 12 Greenfield, 28 Brownfield, four supplementary, and eight Group Buy procurements.<sup>23</sup>
- b. HSV has statutory discretion to determine the information required in a tender application and it is reasonable to require information to assist with modern slavery assessments.
- c. HSV will require suppliers to complete a set of questions aligned to the Standards as part of our market approach and supplier selection process, to assess their policies and practices to identify, assess and mitigate modern slavery risks in their operations and supply chains. This will form part of the mandatory technical criteria.
- d. HSV will develop and incorporate appropriate evaluation methodologies to contribute modern slavery issues in a meaningful way to the overall evaluation process. This will enable HSV to achieve the most appropriate outcome for health services, whilst trying to minimise modern slavery-related issues, including the selection of some suppliers on public interest grounds, for example, where the supplier contract is essential to maintain sufficient emergency stocks.
- e. Once awarded, suppliers progress towards realising the Standards. Commitment to the Program will be a condition of participation (COP) and a contractual requirement.
- f. HSV will act consistently with what information is communicated to prospective suppliers.

Current Process Gaps	Proposed Process
<ul style="list-style-type: none"> <li>• Single modern slavery related question in ITS<sup>24</sup></li> <li>• Modern slavery risk not considered in evaluation process</li> <li>• COP that short-listed suppliers comply with modern slavery clause in draft contract – clause insufficient to meet modern slavery due diligence needs of HSV</li> </ul>	<ul style="list-style-type: none"> <li>• Prospective suppliers to complete modern slavery assessment in ITS</li> <li>• Modern slavery risk considered in evaluation criteria</li> <li>• Contract to incorporate robust, fit-for-purpose modern slavery clause</li> </ul>

**4.3 Implementation consultation**

- a. As part of the Program implementation process, HSV will seek the views of health services, including on:
  - i. The set of prospective supplier questions as part of the market approach
  - ii. Individual question scoring and weighting, and
  - iii. The overall weighting for modern slavery risk in the evaluation process.
- b. It is envisaged the outcome will allow for an agreed health sector approach based on modern slavery risk within each of the five procurement categories.

**4.4 Engaging with awarded and existing suppliers**

- a. Currently, there are 1,045 existing direct<sup>25</sup> and indirect<sup>26</sup> HSV suppliers.
- b. HSV will require awarded suppliers and existing suppliers to progressively realise the Standards.
- c. Suppliers will be subject to an annual Modern Slavery Assessment (MS Assessment) and must evidence proportionate progress relative to their size, operational context, supply chain complexity and internal resources. This will be a contractual term in supplier contracts.

**4.5 Modern slavery assessment**

- a. The MS Assessment will require suppliers to respond to detailed questions within each minimum mandatory Standard category. Questions will be weighted and assigned a score. Based on the responses received, suppliers will receive a total score out of 100 and the following status:

<sup>23</sup> HSV Procurement Activity Plan July 2021-23 (PAP is reviewed every 6 months, last updated 30 Dec 2021). Greenfield refers to a new category for HSV. Brownfield refers to an existing category returning to the market. Supplementary refers to a new or existing subcategory market approach. Group buy refers to HSV assisted health service procurement activity. Not included here is Option (exercise of extension in line with contract terms) and Opportunity Assessment (assess identified category to determine if value for money is achievable on behalf of the State).

<sup>24</sup> The question is: do you as a supplier comply with the Modern Slavery Act 2018?

<sup>25</sup> This is as of 26 May 2022. Direct suppliers are suppliers who: (a) provide goods and/or services directly to HSV or (b) provide goods directly to HSV for distribution to health services via the HSV distribution centre.

<sup>26</sup> This is as of 26 May 2022. Indirect suppliers are suppliers who provide goods and/or services under a collective agreement.

MS Assessment Score	Status
81 – 100	Very Low Risk
61 – 80	Low Risk
41 – 60	Medium Risk
21 – 40	High Risk
0 – 20	Very High Risk

- b. The purpose of the MS Assessment is to assist in assessing the capacity of suppliers to manage and prevent the risk of modern slavery practices in their operations and supply chains. The MS Assessment will help the MSF to work in partnership with suppliers to progressively realise the Standards, improving protections and reducing the risk of exploitation of workers.
- c. HSV understands that suppliers are at different stages of their journey to having more ethical supply chains but expects to see suppliers demonstrate continuous improvement in how they mitigate the risk of modern slavery practices in their business operations and supply chains.

#### 4.6 Improvement action plan

- a. When a risk has been identified through the MS Assessment process, HSV will require suppliers to enter an Improvement Action Plan (IAP). HSV will take a risk-based approach to IAPs, first prioritising very high risk and high risk status suppliers. This is consistent with the expectations of the MSA and the UN Guiding Principles.
- b. Given the number of existing direct and indirect HSV suppliers, HSV may further apply additional materiality prioritisation thresholds, for example, procurement spend, product category, or geographic location.
- c. An IAP will clearly detail the actions required of suppliers to progressively realise the Standards, including timeframes. Some actions will require short term completion, whilst others may be more complex and will require more time to address.
- d. HSV will be proportionate in its approach, particularly when contracts are being delivered by small or medium sized suppliers. A blanket approach to tackling all risks in the same way will not be effective and is likely to create unnecessary burdens on suppliers and internal resources.

#### 4.7 Progressive realisation of mandatory minimum standards

- a. The annual MS Assessment will measure and evidence either maintenance of, or progress towards, meeting the Standards by suppliers.
- b. In circumstances where an action in an IAP has a deadline date beyond 1 year, a supplier will still be considered to be demonstrating progress if they can evidence some activity towards realising that action.
- c. By progressively realising the Standards, suppliers will reduce the risk of modern slavery practices in their operations and supply chains and accordingly reduce their risk status.
- d. Measuring effectiveness is critical to validate suppliers are meeting their responsibility and to facilitate health services meeting their continuous improvement expectations of the MSA.

Current Process Gaps	Proposed Process
<ul style="list-style-type: none"> <li>• Does not align with recognised principles for addressing modern slavery or MSA requirements</li> <li>• No direct authority in contract for HSV to request MS Assessment</li> <li>• Ad hoc risk assessments</li> <li>• No formal process for supplier engagement</li> <li>• Identified risks do not result in improvement actions on suppliers</li> <li>• Effectiveness not measured</li> <li>• Does not meet operational needs of health services</li> </ul>	<ul style="list-style-type: none"> <li>• Aligns with recognised principles for addressing modern slavery and MSA requirements</li> <li>• Provides HSV contractual authority to request MS Assessment</li> <li>• Enables HSV to monitor risk profile of suppliers through annual assessment periodic due diligence activity</li> <li>• Implements a formal process for supplier engagement</li> <li>• Implements IAPs to enable mitigation of identified modern slavery risk</li> <li>• Enables HSV to measure effectiveness</li> <li>• Supports operational needs of health services</li> </ul>

#### 4.8 Implementation consultation

- a. As part of the Program implementation process, HSV will seek the views of health services, including on:
  - i. The MS Assessment questions within each mandatory minimum Standard category
  - ii. Individual question scoring and weightages
  - iii. Materiality thresholds
  - iv. Improvement actions to align with the Standards

- v. Threshold for small or medium sized suppliers (e.g., Corporations Act 2001 (Cth) definition), and
- vi. Measures to safeguard the integrity of MS assessments (e.g., suppliers warrant information is true and correct).

#### 4.9 Information sharing

- a. HSV will require suppliers, through contractual term, to share information and/or data with HSV and the health services to whom they supply goods or services.
- b. The type of information will include:
  - i. Engagement status
  - ii. Results of annual MS Assessment and risk status
  - iii. IAP (if any), and
  - iv. Yearly progress towards meeting the Standards.
- c. This type of information is required to be shared with health services so that they can prepare their annual Statements and comply with the requirements of the MSA.

Current Process Gaps	Proposed Process
<ul style="list-style-type: none"> <li>• No direct authority in contract to share MS Assessment findings or risk rating with health services</li> <li>• HSV must seek individual supplier consent to share MS related information with health services</li> </ul>	<ul style="list-style-type: none"> <li>• Implements information sharing arrangements through contract terms</li> <li>• Enables health services to receive required information for the purposes of modern slavery reporting requirements</li> </ul>

#### 4.10 Implementation consultation

- a. As part of the Program implementation process, HSV will seek the views of health services, including on:
  - i. Types of information or data they require to prepare their annual Statements, and
  - ii. Other information or data HSV should seek to capture.

#### 4.11 Contract terms

- a. A new modern slavery clause will be drafted. The Program will form part of contractual arrangements with suppliers:
  - i. Prospective suppliers – mandatory term in contract, and
  - ii. Existing suppliers – mandatory term incorporated at time of contract renewal or new procurement.
- b. The Program will allow existing suppliers to opt-in to the Program earlier than contract renewal or new procurement. HSV will proactively seek the consent of existing suppliers to early opt-in.
- c. Contractual arrangements will evidence the commitment of suppliers to the Program, including:
  - i. Annual MS Assessment
  - ii. IAP
  - iii. Progressive realisation of the Standards
  - iv. Provision of information to evidence progress with an IAP, and
  - v. Sharing information and data consistent with the Program with HSV and health services they provide goods or services to.
- d. HSV will reserve the right to:
  - i. Termination, where a supplier has repeatedly and deliberately disregarded the Program and has demonstrated no intention of engaging with HSV, and
  - ii. At any stage to refer a supplier to a regulatory or other authority, including law enforcement agency in relation to possible modern slavery practices in the operations or supply chains of a supplier.
- e. Termination will be a measure of last resort as this action can lead to further exploitation.

#### 4.12 Support for suppliers

- a. HSV will support suppliers to progressively realise the Standards. HSV will provide leadership by taking proactive measures to work with suppliers to identify modern slavery risks and to better target and prioritise actions in responding to these risks.
- b. Supplier support may include:
  - i. Development of templates, guides, other resources
  - ii. Development of training modules
  - iii. Holding supplier forums, and
  - iv. Sharing best practice.

- c. HSV is committed to collaboratively addressing and mitigating modern slavery risks that are identified within the healthcare sector supply chains.

Current Process Gaps	Proposed Process
<ul style="list-style-type: none"> <li>Other than directing suppliers to publicly available resources, no support provided to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Implements supplier support structure and capability uplift that includes templates, training modules and best practice</li> </ul>

#### 4.13 Implementation consultation

- a. As part of the Program implementation process, HSV will seek the views of health services on support resources for suppliers and facilitating collaborative engagement.

## 5. Non HSV contracted approach

### 5.1 Health services' suppliers

- a. HSV is not a party to a supplier agreement directly entered into between a supplier and health service. Accordingly, HSV does not have any contractual rights to undertake the modern slavery activities themselves in order to support health services, such as implementing and compelling compliance with remedial action plans.
- b. HSV will support health services to adopt and implement its Program. This will include:
- Undertaking annual modern slavery risk assessments for health services' suppliers, and
  - Providing guidance on recommended mitigation actions for each mandatory minimum Standard category.
- c. This support will assist health services to implement and monitor any improvement actions with their suppliers and the publication of their Modern Slavery Statement.

### 5.2 Implementation consultation

- a. As part of the Program implementation process, HSV will seek the views of health services on:
- The process and timing of supplier data sharing with HSV to facilitate modern slavery risk assessments
  - The template for reporting to health services the outcomes of risk assessments, and
  - Mitigation actions aligned to the Standards.
- b. The outcomes will be to deliver a consistent approach for the Victorian public health sector.

### 5.3 Health services' operations

- a. Health services undertake a broad range of business activities within their own operations. Key operating activities include:
- Direct employment across contingent and base-skill operating activities
  - Construction, including renovation labour
  - Retail tenancies and tenant management
  - Research and development
  - Charitable activities, and
  - Provision of health services to the public.
- b. As acknowledged above, HSV does not have contractual rights to undertake modern slavery activities.
- c. HSV will assist in capacity building of health services to enhance their modern slavery risk mitigation in the listed key operating activities.
- d. This will be achieved through:
- HSV's ongoing Modern Slavery Community of Learning sessions
  - Template documents
  - Guidance materials, and
  - Training for health services' employees.

### 5.4 Implementation consultation

- a. As part of the Program implementation process, HSV will seek the views of health services on:
- The templates and guidance materials required by health services
  - The nature of training to meet the needs of health services, and
  - The outcomes will be, as noted with suppliers, to deliver a consistent approach for the Victorian public health sector.

## 6. Benefits of HSV's modern slavery risk mitigation program

- 6.1 HSV action on the issue of modern slavery, including establishment the Program, implemented and administered through the MSF, will support HSV, health services, and suppliers to meaningfully strengthen their response to modern slavery. Without this support, modern slavery risks in business operations and supply chains may not be addressed. As a result, health services and suppliers may continue to be exposed to goods and services tainted by modern slavery.
- 6.2 **Health services benefits**
- Avoids duplication of actions by health services
  - Reduces health services' regulatory and operational burden to enable their focus on patient care outcomes
  - Informed and consistent risk mitigation actions across the supply chain
  - Progression towards realising the mandatory minimum standards will depict the effectiveness of actions taken
  - Enables health services to meet their annual reporting obligations under the MSA, in particular, demonstrating continuous improvement
  - Aligns the healthcare sector with the Australian Government expectations under MSA, the UN Guiding Principles, and the Victorian Government Supplier Code of Conduct
  - Uniform approach to identifying, assessing and addressing modern slavery risk across the healthcare sector, and
  - Adopts a proportionate approach to modern slavery risk mitigation, recognising contracts being delivered by SMEs.
- 6.3 **Supplier benefits**
- HSV will work with suppliers to support them in addressing modern slavery risks, and where possible, mitigate or eliminate this risk
  - Equips and enables suppliers to respond to modern slavery risks and develop and maintain responsible and transparent supply chains
  - Simple and sustainable approach
  - Avoids supplier disengagement based on inconsistent requested actions from multiple health services with different risk appetites and/or maturity points, and
  - Sends a clear message to suppliers that HSV will not tolerate suppliers benefiting from modern slavery in their operations and supply chains.
- 6.4 **HealthShare Victoria benefits**
- Organisational resilience through enhanced understanding of modern slavery risk in constantly changing local and global supply chains to mitigate vulnerability in Victorian healthcare sector
  - Best practice alignment with accepted standards and compliance expectations of the MSA
  - Sustainable modern slavery risk function
  - Improved accountability to facilitate effectiveness measuring
  - Reduces reputational risk, and
  - Increased support satisfaction of health services.
- 6.5 The benefits of the Program enable a sector based proactive (preventative) approach, thus moving health services and HSV from a position of modern slavery risk to establishing systems to address the risk of modern slavery practices in the Victorian healthcare sector.
- 6.6 The Program also enables maintenance of the integrity of the HSV growing supply chain in ever changing circumstances, including pandemics, an ageing population, increased life expectancy and strengthening legislative and regulatory requirements around modern slavery.

## 7. Outline of implementation consultation process

- 7.1 HSV is committed to working collaboratively with health services to refine our Program. This will mean that the Program is as effective as possible and is consistent with the expectations of health services. To this end, HSV will hold an implementation consultation process to allow health services to contribute to the design of the Program by providing feedback. HSV will closely consider all views and feedback provided during the consultation process.

**7.2 How to provide feedback**

- a. There are a number of ways health services can provide feedback to HSV. As part of the consultation process, HSV will convene a series of online and face-to-face sessions.
- b. Written submissions can also be made. The preferred method to receive submissions is via email to [modernslavery@healthsharevic.org.au](mailto:modernslavery@healthsharevic.org.au) The deadline for submissions is 11.59 pm (AEST) on 31 March 2023.

**8. Pathway to implementation**

- 8.1 The following implementation pathway is proposed, subject to operational constraints, including the COVID-19 pandemic on HSV and health services.

<b>Phase 1 – Implementation Consultation</b>	
Consultation with health services.	4+ months
<b>Phase 2 – Infrastructure and Resource Building</b>	
Design and development of ITS assessment and evaluation criteria and MS Risk Assessment platform. Drafting of contractual terms and recommended IAP.	9+ months
Design and development of operational tools required (training modules, guides, and template resources) for health services and suppliers.	
Stand up MSF and ascertain the size of the team to manage these activities and onboard subject matter expertise.	
Enhance current MS Risk Assessment platform to meet the new requirements (Informed 365) (no additional cost to HSV).	
<b>Phase 3 – Pre-deployment and Testing</b>	
Progressively test functions of MS Risk Assessment platform (Informed 365) and fine tune to address any problems that emerge.	4+ months
<b>Phase 4 - Deployment</b>	
After completing testing phase, data migration from health services to MS Risk Assessment platform.	4+ months
Go live	30 June 2024