

Modern Slavery Statement

for the period 1 July 2020 to 30 June 2021

Issued December 2021



Contents

1. Purpose	2
2. Our structure, operations and supply chain	3
3. Our Risk Assessment Process	4
4. Our future state	7
Contact us	Back cover

1. Purpose

Mercy Super Pty Ltd (the Trustee) has an obligation to produce a Modern Slavery Statement under the *Modern Slavery Act 2018* (Cth).

Although the legal institution of slavery has long been abolished, practices that enslave people and use them as capital are still prevalent within our financial and economic systems. Modern Slavery is the broad range of exploitative practices that deprive vulnerable populations of their social and economic rights. Examples of Modern Slavery include (but are not limited to) human trafficking, forced labour, servitude, debt bondage, and deceptive recruitment.

Mercy Super is committed to undertaking proactive action against Modern Slavery as well as the structures, procedures and practices that facilitate it within our supply chains. This is our first Modern Slavery Statement, and the first of many steps we will undertake to ensure that this gross violation of human rights is eradicated from our business and its operations.



2. Our structure, operations and supply chain

Mercy Super exists solely to look after the retirement savings of our membership community – current and former employees within Mercy Partners organisations, and their partners.

Our values form the basis of how we interact with our members, learning from positive change, and achieving more together. Our values underpin our core purpose that has remained unchanged since we were first established by the Sisters of Mercy Queensland in 1962. That is to build better retirement outcomes and support our community of members at every stage of their superannuation journey from their working years through to retirement.

Accountability for modern slavery risk and the responsibility for approving measures to combat or mitigate that risk lies with the Mercy Super Board. The CEO and Leadership team of Mercy Super are consulted at all steps of the process to ensure transparency and enable a supported phased approach to embed change and combat risk.

2.1 Structure

Mercy Super (ABN 11 789 425 178) is a complying resident regulated superannuation fund within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth) (Fund). Mercy Super is governed by a Trust Deed (as amended by a Deed of Variation) which outlines our governing rules.

Mercy Super Pty Ltd (ABN 98 056 047 324, AFSL 418976) is the Trustee of Mercy Super and has a Board of Directors that are responsible for the management and operation of Mercy Super. The Board of Directors consist of an equal number of Employer and Member Directors as well as an Independent Director, who are nominated, remunerated and appointed in accordance within the rules of the Mercy Super Pty Ltd Constitution.

Employees of the Fund are employed by Mater Misericordiae Limited. The Mater Hospitals have a commitment to ethical business practices and have established an Anti-Modern Slavery Cross-Functional Working Group, with representation from across all of Mater's portfolios, to examine business practices. As a Catholic organisation, Mater is a member of the Australian Catholic Anti-slavery Network (ACAN) and is committed to ensuring that the rights and dignity of all are protected from exploitation.

2.2 Operations

As a provider of financial services, we issue superannuation products, provide financial advice, offer life insurance, and make financial investments.

Mercy Super is a small superannuation fund with 23 employees¹ domiciled in Australia. We have one office location in Queensland in the Potter Building, Mater Health Services South Brisbane Campus, Raymond Terrace, Woolloongabba, 4102.

Our people contribute to and oversee the day to day operations of the fund. This includes specific services of administration support, insurance support, investments, risk and compliance, marketing, relationship management, and financial advice.

Mercy Super outsources the following material services to third party specialists:

- Administration
- Insurance
- Custodian Services
- Accounting Services
- Legal Services
- Internal Audit
- Asset Consultant
- Information Technology
- Investments

2.3 Supply chain

Our supply chain extends broadly across many industries, with locations in Australia and overseas. These suppliers are engaged to support the operation of the Fund and include investment managers, training, travel provision, branded clothing, promotional materials, mail house, communications, facilities, stationery and information technology platforms and support.

110 suppliers in total
79 general operational suppliers
31 investment related suppliers

3. Our Risk Assessment Process

Mercy Super operates in a heavily regulated Australian financial services environment and has frameworks and procedures in place in relation to employment practices, employee conduct, governance and risk management, whistleblowing and due diligence. Our employees are primarily skilled white-collar professionals and the risk of modern slavery in our direct operations has been assessed as low.

Our code of conduct holds us accountable for the expectations of how we will act. Our focus is on the importance of professionalism, quality outcomes, respect and fairness and our responsibility to act in accordance with relevant State and Commonwealth legislation and in accordance with the standard of performance of work that is lawful, reasonable and consistent with the scope and contract of employment with shared and consistent behaviours.

3.1 Supply chain risk

Our assessment for our service providers and supply chain was conducted in three distinct phases. These phases apply the foundational framework to methodically assess and evaluate our Modern Slavery approach. Our due-diligence assessment has been conducted in accordance with the protocols and recommendations outlined within the Australian Council of Superannuation Investors (ACSI) report titled: *Modern Slavery Risks, Rights and Responsibilities* as well as the *Modern Slavery Act (2018)* (Cth) itself (including the associated report titled: *Guidance for Reporting Entities*).

- **PHASE 1:** Survey the quality and transparency of an entity’s approach to addressing Modern Slavery using pre-defined due-diligence standards.
- **PHASE 2:** Ensure that due-diligence undertaken is well-substantiated evidence-based and applied appropriately, consistently and where appropriate more rigorously on a targeted basis.
- **PHASE 3:** Collate and communicate attained results in a comprehensive and methodical manner that satisfies reporting requirements.

PHASE 1: Risk Assessment

We have conducted a risk assessment of our supply chain by adopting a methodology based on analysis of service type, annual spend, domicile of operation, contact within the last financial year and designated risk level. This enabled us to assign a risk level to each entity based on the criteria outlined in Table 1:

Table 1: Risk Assessment Criterion

Risk Level	Risk Description
1 – Low Risk	Low sector risk, low probability of exposure to potential Modern Slavery, high transparency and compliance or small corporation
2 – Medium Risk	Medium sector risk, possible exposure to Modern Slavery, producing a Modern Slavery statement, international/global reporting, fair compliance
3 – High Risk	High sector risk, high potential exposure to Modern Slavery, low transparency and compliance, no Modern Slavery statement, not required to report
4 – Extremely High Risk	High sector exposure, non-compliance, no engagement, no reporting

PHASE 2: Due Diligence

Modern Slavery and the practices of which it is comprised are often described as being 'hidden in plain sight'. For this reason, we undertook a detailed assessment of our supply chain within the last financial year and included all ongoing relationships as well as most one-off interactions.

This assessment was completed with a supplier self-assessment questionnaire which all suppliers were asked to complete. A small number of suppliers were not included where the fee for service was low and a one-off interaction; most of these were also considered low risk as they had their own, or parent company, Modern Slavery Statement. In future reporting periods, we aim to include all service providers regardless of size, service type, reporting requirements or any other parameters.

Our questions in our supplier questionnaire were derived from the seven mandatory reporting criteria stipulated within the *Modern Slavery Act (2018)* (Cth). An extensive literature search was undertaken to ensure that our questionnaire mirrored the objectives of key risk management frameworks such as those outlined by APRA, ASFA and ACSI. We further tailored our supplier questionnaire to reflect the unique assessment needs of Mercy Super and evaluated it against several other prevalent resources. Our questions related to seven key assessment parameters described below:

- **Governance:** does the entity demonstrate a clear understanding of what constitutes Modern Slavery?
- **Risk Assessment:** has the entity made explicit their supply chain and business governance model?
- **Risk Management:** do they have policies/procedures addressing the risk that arises from said model?
- **Due Diligence:** does the entity undertake regular due diligence assessment to verify compliance and/or mitigate the risk associated with Modern Slavery?
- **Reporting:** has the entity established robust communication practices for the assessment, monitoring and reporting needs associated with Modern Slavery?
- **Grievance and Remediation:** does the entity have in place an appropriate whistleblowing policy and/or clear grievance channel?
- **Training:** has the entity taken appropriate measures to ensure staff have been educated or introduced to confront Modern Slavery?

PHASE 3: Analysis and Evaluation

Analysis of responses for all service providers was initially undertaken in 2020. This was to specifically identify, assess and evaluate any points of discrepancy and/or deviation from the stipulated requirements of the *Modern Slavery Act (2018)* based on the criteria in Table 2.

In 2021, the same analysis has been undertaken with the majority of responses received. This has provided further meaningful insight into the supplier's commitment thus far and any improvements that they may have made since 2020. All material service providers are noted to be operating to the desired good standard.

It has been generally noted that the risk in our supply chain is considered to be low, because the majority of our suppliers are based in Australia and operate within highly-skilled and professional industries with low labour-related risks.

For the remainder of the supply chain, we aim to further analyse the 2021 supplier self-assessment questionnaire responses to specifically identify, assess and evaluate any points of discrepancy and/or deviation from any previous responses. This will assist Mercy Super to further ensure that we can address any concerns and continue to develop processes and practices to combat modern slavery risk.

Throughout this exercise it was pleasing to note the positive response and feedback to the questionnaires with willing participation from some of our smaller one-off suppliers who have noted their commitment to participating in accordance with the *Modern Slavery Act 2018* (Cth) even though they are not obligated to do so.

Table 2: Response versus action

Comment	Consequent Action
<p>Good response, entity has made explicit:</p> <ul style="list-style-type: none"> • Supply chain arrangements • Due diligence processes • Monitoring policies and practices • Remediation avenues 	Continue to monitor on an annual basis
<p>Fair response, entity has:</p> <ul style="list-style-type: none"> • Described existing supply chain, due diligence, monitoring and remediation practices • Noted general actions/inaction related to Mercy Super 	Continue to monitor on an annual basis. Check for areas of concern and follow up with further questions
<p>Poor response:</p> <ul style="list-style-type: none"> • Insufficient detail surrounding supply chain, due diligence, monitoring and remediation practices • Inconsistencies and/or lack of transparency observed in responses • Questions left unanswered 	Follow up with further questions. Consideration given to engagement and whether this is appropriate to continue.
<p>In progress:</p> <ul style="list-style-type: none"> • In the process of revising current processes/ implementing changes to ensure compliance 	Continue to monitor 6-monthly, ask questions and seek clarification as required
<p>Further clarification required:</p> <ul style="list-style-type: none"> • Clarification for specific questions required • Potential inconsistencies and/or lack of transparency observed in responses 	Follow up with further questions
<p>Adequate response for risk level, size and domicile:</p> <ul style="list-style-type: none"> • Minimal Mercy Super exposure, supplier's responses reflect this 	Not applicable

3.2 Investments

Investments are mostly managed externally through selected Investment Manager products, with a direct equity holding managed by our internal investment operations.

The Trustee recognises its obligation to implement a sound investment governance framework and to manage investments in a manner consistent with the interests of beneficiaries of the Fund. Assets are invested with the support of an Asset Consultant and we also have an Investment Committee to provide additional oversight to monitor implementation of the investment strategy and operations.

Investments are spread across various asset classes and sectors and include Australian and International Equities, Alternative Growth, Australian and International Property, Infrastructure, Alternative Defensive, Cash, and Australian and International Fixed Interest and are managed via Investment Managers located in Australian and overseas.

Mercy Super's investment governance framework sets out the obligations and processes in the appointment of Investment Managers for our members' assets, with extensive due diligence processes adopted before the appointment of an Investment Manager. These due diligence processes are subject to continual review and validation.

Our Responsible Investment Policy documents how Mercy Super considers environmental, social, and governance (ESG) as well as other

investment factors into its investment decisions. This is envisaged to involve a considered long-term realignment of our investment portfolio which take into consideration the current Responsible Investment / ESG credentials of our portfolio, availability of suitable pooled products, expected impact on fees and investment returns, and the regulatory landscape in which we operate.

The social considerations incorporated within Mercy Super's Responsible Investment Policy are human rights, labour standards, supply chain, equality and diversity, just transition and local communities. These factors play a key role in modern slavery practices.

We recognise that responsible investment factors often cross between two or more areas but also importantly between responsible investment and "traditional" investment areas. We also note that the above factors align with established 'Sustainable Development Goals' issued by the United Nations as a blueprint to address the global challenges related to poverty, inequality, climate change, environmental degradation, peace and justice.

Responsible investment considerations are formally incorporated into reviews of our investment managers and the investment products we invest in. The objective is to review and update (or re-confirm) our assessment of the investment manager's responsible investment capability with respect to the product.



4. Our future state

We have undertaken extensive analysis of suppliers over the last two years. We will continue to work with our suppliers to improve our practices and enhance our capability.

Mercy Super is committed to adopting a continuous improvement approach over the next two years to embed positive change. This will involve:

- Finalising the phase 3 supplier analysis and continue to seek an updated self-assessment questionnaire from all suppliers on an annual basis.
- Conducting deep dive assessments of high-risk industry suppliers, targeting industries such as clothing and technology, and responses we have determined as a 'Poor response' rating. For high risk industries we will seek to understand the organisations' own supply chains. This will enable appropriate decision making and transparency in appointing a supplier.
- Uplifting Modern Slavery Risk culture through:
 - Policy and process reviews with priority given to procurement and expenses. This will promote understanding with our people that an expense may have negative modern slavery implications regardless of the amount this may cost.
 - Training for existing and new employees providing real world examples of modern slavery and the potential impact of selecting one supplier over another.
- Producing a directory of suppliers, listed by supplier type across all areas of our operations, highlighting those that are favourable in their approach to modern slavery.

This statement was approved by the Board of Mercy Super Pty Ltd in its capacity as Trustee of Mercy Super on 23 December 2021.

Signed,



Wendy Tancred
Chief Executive Officer

Approved,



Toni Casey
Chair of Board

Contact us

IN PERSON Potter Building, Ground Floor, Mater South Brisbane Campus, South Brisbane QLD
MAIL PO Box 8334, Woolloongabba QLD 4102
PHONE 1300 368 891
EMAIL information@mercysuper.com.au
WEB mercysuper.com.au

The information in this document may change from time to time. Changes that are not materially adverse may be updated on Mercy Super's website mercysuper.com.au. A copy of any updated information can be obtained on request free of charge at any time by contacting the Fund on **1300 368 891**

