



MFS MODERN SLAVERY STATEMENT

Reporting period: 1 January 2022 to 31 December 2022

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1. Reporting Entities

This statement is made on behalf of MFS International Holdings Pty Limited (ACN 601 210 575) (**MFS Holdings**) and all entities it owns and controls (together **MFS** or **we** or **our** or **us**) pursuant to section 16 of the *Modern Slavery Act 2018 (Commonwealth)* (the **Act**) and constitutes our statement for the reporting period 1 January 2022 to 31 December 2022. MFS Holdings and its subsidiary MFS International Australia Pty Limited (**MFS Australia**) (AFSL 485343, ABN 68 607 579 537) are reporting entities for the purposes of the Act.

The Act defines modern slavery as trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; and the worst forms of child labour. The worst forms of child labour can mean situations where children are subjected to slavery or similar practices or engaged in hazardous work.

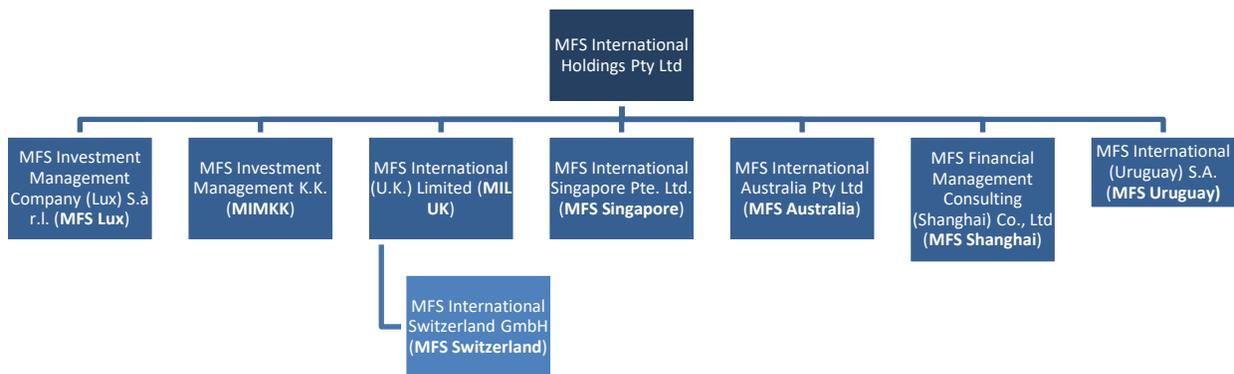
Modern slavery and forced labour remain a rampant problem in today's world. MFS recognises the damaging effect of these practices on people and communities, and is committed to not knowingly participating in, causing, contributing to, or being linked to modern slavery practices in its operations and supply chains. Further, MFS is conscious of the growing reputational and regulatory risks related to modern slavery as regulators and investors come to expect best practice in Environmental and Social



Governance (**ESG**) research. From an investment perspective, these factors are likely to result in supply chain disruptions, litigation and fines and/or lowered valuations for companies that cannot effectively address their modern slavery risk. We therefore continue to build on our efforts to mitigate risks of modern slavery within our organisation and supply chains.

(a) Structure

MFS Holdings is a proprietary limited company incorporated in Australia. MFS Holdings is a holding company for several of the MFS Investment Management group of companies (**MFS Group**). Established in 1924, the MFS Group is an active, global asset manager with investment offices in Boston, Hong Kong, London, Mexico City, São Paulo, Singapore, Sydney, Tokyo and Toronto. The MFS Group is a member of the Sun Life Financial group of companies. Per the diagram below, MFS Holdings owns and controls a number of MFS Group entities (**MFS Subsidiaries**):



MFS Australia is a proprietary limited company incorporated in Australia. MFS Australia is an Australian-based investment manager and is a member of the MFS Group. MFS Australia does not own or control any other entities.

(b) Operations and Supply Chain

MFS Holdings is a holding company for a number of other MFS entities which generate income globally. It does not have employees. Although MFS Holdings is an Australian incorporated corporation, it is managed and maintained by MFS International (U.K.) Limited in the United Kingdom.

The primary operations and activities of MFS Australia and the other MFS Subsidiaries relates to financial investments, including internally and externally managing investment portfolios and assets. MFS Australia provides a range of investment products and services to its clients across a number of asset classes, including equities and fixed income. A full range of investment products and services which MFS Australia and the other MFS Subsidiaries currently provide to their clients is set out in [MFS Holdings’ 2020 Statement](#). Per the diagram above, MFS Uruguay is an additional MFS Subsidiary incorporated on 1 March 2021 which provides distribution assistance for the MFS Luxembourg-based fund families.

MFS Australia employs approximately 25 employees. MFS Australia has two offices in Australia:



- Sydney (registered office): Level 15, 20 Martin Place, Sydney, NSW 2000
- Melbourne: Level 27, 101 Collins Street, Melbourne, VIC 3000

MFS has a global network of suppliers and vendors (including across the United States of America, the United Kingdom, Europe and Asia) including those engaged at a group level as well as local suppliers. The main supplier relationships include those with:

- Professional services providers;
- IT and applications service providers;
- Facilities management, cleaning and maintenance services providers; and
- Providers of services related to the leasing of office space.

2. Risks of Modern Slavery Practices in MFS' Operations and Supply Chains

The risks of modern slavery in MFS' operations/supply chains have been reviewed during this third reporting period and as a financial services organisation with a professional workforce, MFS still considers the risk of modern slavery within its direct business operations to be low. Additionally, MFS operates in a highly regulated industry that requires it to be authorised and to be subject to regulatory supervision. However, MFS recognises that, through its supply chain and investment arrangements, it can be indirectly connected to organisations that benefit from or are involved (even if unintentionally) in modern slavery.

Investment risk: as discussed in MFS' 2020 and 2021 Statements, there is some risk of modern slavery in MFS' investments, as a result of MFS' broad global portfolio. In this third reporting period, MFS continued to focus upon the following areas of risk in its investments:

- *Sector and industry risk:* where certain sectors and industries may have high modern slavery risks because of their characteristics, products, processes and supply chains. Indicators of this type of risk include the use of unskilled, temporary or seasonal labour, use of short term contracts and outsourcing, use of recruitment agencies for supply chain labour, use of foreign workers or temporary or unskilled labour to carry out functions which are not immediately visible (i.e. at night time) for example, security and cleaning and the reliance on long and complex supply chains. Areas of such risk include but are not limited to agriculture and fishing, packaged foods, apparel, electronics, healthcare and transport and warehousing.
- *Geographic risk:* where some countries may have higher risk of modern slavery, including due to poor governance, weak rule of law, conflict, migration flows and socio-economic factors. While we have experienced related risks in some developed markets (e.g. in regards to matters like underpayment of wages), geographic risk related to modern slavery has proven to be most pronounced in emerging and frontier markets, where the flow of information is less robust. For example, the cocoa supply chain has long experienced allegations related to the use of child and forced labour.
- *Entity risk:* where an entity may have particular modern slavery risks because of their reliance on long and/or complex supply chains, insufficient oversight or governance structures, or historical controversies in the area of human rights. While MFS believes the risk of modern slavery in the direct operations of the companies MFS owns is generally low, it is very difficult to assess this risk in the long, complex and often opaque supply chains of many companies. As a result, it will be impossible for MFS to provide full assurance that the companies it owns are completely free from modern slavery. However, MFS integrates consideration of ESG risks, such as modern slavery, into the investment process and engages with companies on this issue. MFS has sought to understand modern



slavery risk at an entity level through direct discussions with management teams and third-party organisations that evaluate these issues.

Supplier and vendor risk: while many of our suppliers and vendors are professional and financial services providers in countries with strong labour protections (e.g. the United States of America, Europe and Australia), MFS has previously identified (and continues to identify) that higher risks of modern slavery practices may be associated with its suppliers of, for example, facilities (good and services), cleaning and maintenance services of MFS' global offices. During this reporting period, MFS has implemented a vendor management tool which will further enhance oversight monitoring and reporting capabilities for vendors, to help mitigate modern slavery supplier and vendor risk.

3. Actions Taken by MFS to Assess and Address Risks

In this third reporting period, MFS has built on its actions to assess and address the risks of modern slavery practices occurring in its operations and supply chains. MFS is committed to demonstrating the highest level of integrity and ethical standards, and to operating in compliance with all applicable laws, rules, and regulations in all facets of our business.

(a) Policies and Procedures

MFS has an established set of frameworks, policies and procedures that govern its operations and assists it in managing potential modern slavery risks with regard to its employees, supply chain and business operations. These policies include:

- Code of business conduct;
- Employee manuals;
- Equal employment opportunity policies;
- Responsible investing policies;
- Vendor oversight monitoring program and vendor management policy; and
- Whistleblower program.

Details of these policies, and MFS' whistleblower program are set out in [MFS Holdings' 2020 Statement](#).

MFS has continued to review and update a number of its policies and procedures to specifically address modern slavery risks, including its whistleblower policy and code of business conduct in December 2021.

MFS has also developed a Statement on Human Rights (which was approved in February 2023) that addresses how MFS commits to the protection and preservation of human rights across all areas of its business in accordance with the United Nations principles. The Statement includes detail on how MFS addresses modern slavery risks from an investments, employee and supplier/vendor perspective. The Statement also sets out the grievance mechanisms available via an ombudsman/whistleblower program. As part of MFS' approach to human rights, MFS is committed to identifying the relevant human rights topics, engaging internal and external stakeholders to mitigate and address any identified human rights risks, as well as strengthening and improving on our human rights practices.

(b) Suppliers and Vendors

MFS takes a risk-based approach to supplier and vendor management. MFS continues to maintain the following controls, as outlined in MFS Holdings' 2020 Statement, to mitigate risks of modern slavery:

- The supplier code of conduct, which requires suppliers to:
 - be committed to acting ethically and with integrity, and implementing and enforcing effective systems and controls to ensure modern slavery is not taking place in their businesses and supply chains;
 - comply with all applicable modern slavery laws, statutes, regulations and codes; and
 - take reasonable steps to ensure that there is no modern slavery in their supply chains or business operations.
- A group-wide MFS vendor oversight monitoring program which allows MFS management to identify, measure, monitor and control the risks associated with suppliers, service providers and outsourced vendors.
- A vendor management policy which provides a framework for vendor selection, due diligence and ongoing monitoring.

Further details of these policies and procedures are set out in [MFS Holdings' 2020 Statement](#).

In this third reporting period, MFS has:

- Updated its supplier code of conduct in November 2021 to require suppliers to mitigate and remedy instances of modern slavery when they are identified;
- Continued to assess and engage with vendors, including on the issue of the supplier code of conduct during the vendor onboarding process and adding targeted questions to due diligence questionnaires relating to human rights;
- Designed vendor engagement protocols to further understand code of conduct practices, inclusive of human rights;
- Continued to monitor and periodically review vendors for negative news events (inclusive of modern slavery risks) during vendor onboarding and ongoing due diligence monitoring processes;
- Continued to consider mechanisms for conducting deeper screening and detailed analysis of parts of our global supply chain;
- Deployed a vendor management tool that will further enhance oversight capabilities by leveraging technology to further mitigate risk. As part of this deployment, implemented a mechanism for vendors to actively confirm receipt and review of the MFS Supplier Code of Conduct; and
- Hired a Vendor Management Senior Manager focused on strategic initiatives inclusive of modern slavery supplier and vendor risk.

(c) Investment Management and Responsible Investing

MFS integrates ESG risks, such as modern slavery, into its investment process where MFS believes those risks to be material to the issuer/s being reviewed. MFS has sought to understand modern slavery risk at a company level through direct discussions with management teams and third-party organisations that evaluate these issues.



In past years and reporting periods, training on modern slavery has been provided to the entirety of the MFS global investment team, which includes employees located in all of MFS' major offices (e.g. the United States of America, the United Kingdom, Singapore, Japan and Australia).

In this third reporting period, MFS has:

- Engaged with at least seven companies regarding modern slavery or child labour, documenting company responses that were sufficient or required additional follow up queries;
- Collaborated with representatives from Know the Chain to research the operational and supply chain practices of a private, high growth apparel company; and
- Engaged with members of civil society organizations (**CSOs**) in Southeast Asia to understand worker experience, identify obstacles to effective social audits and understand the role of CSOs in protecting and enhancing the rights of supply chain labour workers. In March 2022, MFS was invited to speak at an Investors Against Slavery and Trafficking (**IAST**) knowledge sharing event featuring members of CSOs from India, Indonesia and Thailand as well as a broad range of asset owners and managers in the Asia Pacific region. The workshop highlighted how investors could engage with CSOs to improve investor risk assessment, diligence and engagement within the electronics sector supply chains. Following the workshop MFS co-authored a [report on the topic](#) which is available on the IAST Asia Pacific website.

As an example of MFS' integration of modern slavery risk management, ESG research and active engagement with companies, during this reporting period MFS was part of a collaborative group that addressed modern slavery risks with a large technology company in Asia. While MFS' initial engagement requests were rejected by the company, MFS' ongoing private conversations with the firm and the strength of the collaborative initiative have brought the company to the table to discuss the issue in more detail. MFS has also begun to engage other large electronics manufacturers on this topic to highlight its investment materiality to large corporates in the sector.

(d) Employees

MFS Holdings does not have any employees.

MFS Australia and the other MFS Subsidiaries have robust employment policies and procedures and screens all potential employees (including work eligibility checks). There are also a number of other employment policies regarding employment conditions and appropriate workplace behaviour which apply to all employees. A code of business conduct also describes fundamental principles related to ethics and guidance for acting legally, fairly and responsibly. These policies and procedural controls are reviewed periodically to ensure the MFS Subsidiaries have robust processes in place to minimise the risk of modern slavery in their operations.

In this third reporting period, MFS continued to ensure that modern slavery training has been provided to all employees located in Australia on relevant regulatory requirements and modern slavery risks. MFS continues to incorporate training on modern slavery risk for all new employees hired in Australia. All new employees in Australia onboarded during the reporting period received training on modern slavery. MFS intends to conduct refresher training to all employees in Australia during the next reporting period and MFS will continue to incorporate training on modern slavery to all new employees.

4. How MFS Assesses the Effectiveness of These Actions

MFS understands that managing the risks associated with modern slavery requires an ongoing commitment and regular review of any actions taken. MFS will continue to look at how it can further mitigate the risk of modern slavery in its operations and supply chain and will take appropriate action to address any concerns that may arise.

MFS notes the difficulty of accurately quantifying its modern slavery risk. MFS has sought to evaluate the effectiveness of its approach to addressing modern slavery risks within its supply chain and operations through the following measures:

- Tracking the number of new vendors that have completed the on-boarding process, accepted the supplier code of conduct and been subject to monitoring under the vendor oversight monitoring program.
 - 30 vendors were onboarded globally during the third reporting period, including with the issue of the supplier code of conduct. To the best of MFS' knowledge and based on the reviews performed, no issues were identified with these vendors in relation to modern slavery risks.
- Tracking general progress of MFS' engagement on ESG topics, which includes modern slavery (details set out above at Section 3) as part of MFS' responsible investing framework. MFS has used its new engagement tracking database to identify companies with which MFS has engaged on modern slavery in the reporting period.
 - Further metrics to track this progress may be considered in future reporting periods as set out in Section 5.
- Tracking the number of existing and new employees located in Australia who have received modern slavery training.
 - All employees located in Australia have now received modern slavery training.
- During the reporting period there were no whistleblower reports concerning modern slavery matters. In MFS' review of the relevant internal policies and procedures, MFS has considered alternative methods to make it easier for employees to lodge a whistleblower report, where reports can now also be submitted online through the website of the third party vendor contracted by MFS.

5. MFS' Action Plan for the Next Reporting Period

MFS will continue to mature its policy and procedural framework around modern slavery risks in the next reporting period.

MFS will also consider implementing some or all of the following actions in future reporting periods:

- Continuing to update all relevant existing policies and procedures to specifically address modern slavery risks to the extent necessary within our operations and supply chain;
- Continuing to assess and engage with vendors through the on-boarding process, the supplier code of conduct and monitoring under the vendor oversight monitoring program;
- Continuing to consider mechanisms for conducting deeper screening and detailed analysis of parts of our global supply chain, including the possible addition of targeted questions to vendor questionnaires as well as are reviewing third party tools to assist in supply chain risk inclusive of modern slavery;

- MFS' investment team will continue to refine existing frameworks and engage with company management teams to assess specific risks for the investments most at risk of being impacted by modern slavery. MFS' risk assessment may include some or all of the following:
 - Sector maps to help analysts identify the sub-sectors and industries which have the most vulnerable and at-risk supply chains;
 - Supply chain frameworks and specific engagement questions developed by our ESG analysts that analysts can use to build a complete picture of modern slavery risks during their meetings with company managements, sustainability teams and board members;
 - Identifying additional sources of data that can be used to translate our views on modern slavery into our financial models and valuations, track corporate performance and improve the effectiveness of our corporate engagements;
 - Developing systems that help MFS to track and report upon all of the engagements that MFS is having globally in regards to modern slavery;
 - Periodically developing research reports, written by both industry analysts and ESG analysts, that help the broader team to evaluate this risk;
 - Engaging with labour unions, community organisations and modern slavery experts to improve our ability to effectively engage with companies and recommend changes in their risk management process; and
- Considering whether any further general global employee training is necessary.

6. Consultation

MFS is committed to tackling risks of modern slavery as a group, through group-wide policies and processes, and through ongoing consultation between MFS Holdings and the MFS Subsidiaries, including MFS Australia. In this reporting period, the process of consultation involved:

- The engagement of relevant global business teams across the MFS Subsidiaries (e.g. enterprise risk management, legal, compliance, investment, human resources) to consider modern slavery risks in different sectors of the business and provide feedback on the Statement; and
- The implementation of a group-wide modern slavery risk assessment across MFS entities.



7. Board Approval

This Statement was approved by the MFS Holdings Board of Directors, being its principal governing body, on behalf of itself and the MFS Subsidiaries. This Statement was also approved by the MFS Australia Board of Directors, being its principal governing body.

Patrick Hehir
Director, MFS International Holdings Pty Limited
28 April 2023

Marian J. Poirier
Director, MFS International Australia Pty Limited
28 April 2023

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