



MFS INTERNATIONAL AUSTRALIA PTY LTD MODERN SLAVERY STATEMENT

1. Reporting Entity

This statement is made on behalf of MFS International Australia Pty Limited (**MFS Australia** or **we** or **us**) (AFSL 485343, ABN 68 607 579 537) pursuant to section 16 of the *Modern Slavery Act 2018 (Commonwealth)* (the **Act**) and constitutes our statement for the reporting period 1 January 2020 to 31 December 2020. MFS Australia is the reporting entity 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 Australia is committed to not knowingly participating in, causing, contributing to, or being linked to modern slavery practices in its operations and supply chains and will make efforts to mitigate risks of modern slavery within its organisation and supply chains.

(a) Structure

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 Investment Management group of companies (**MFS**). Established in 1924, MFS is an active, global asset manager with investment offices in Boston, Hong Kong, London, Mexico City, São Paulo, Singapore, Sydney, Tokyo and Toronto. MFS is a member of the Sun Life Financial group of companies. MFS Australia does not own or control any other entities.

(b) Operations and Supply Chain

The primary operation and activity of MFS Australia 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.

MFS Australia employs approximately 26 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

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

As a financial services organisation with a professional workforce, MFS Australia considers the risk of modern slavery within its direct business operations to be low. Additionally, MFS Australia operates in a highly regulated industry that requires it to be authorised and to be subject to regulatory supervision. However, MFS Australia recognises that, through its supply chain and investment arrangements, it can be indirectly connected to organisations that conduct or support modern slavery.

For example, MFS Australia recognises that exposure to modern slavery risks may exist from an investment perspective, due to MFS' investment management business. Companies in various industries have



experienced modern slavery issues in their own operations and supply chains, and while many of these companies have worked to eradicate it, the problem persists. Beyond the plain fact that modern slavery is wrong and abhorrent in itself, the potential reputational risks related to modern slavery are increasing due to regulatory activity, increasing consumer awareness of the issues, and a growing investor interest in Environmental, Social and Corporate Governance (ESG) and related topics like modern slavery. These factors are likely to result in various financial impacts, supply chain disruptions, fines, and/or lowered valuations for companies that cannot effectively manage this risk.

From a vendor and supplier perspective, there may also be modern slavery risks due to MFS Australia's supplier and vendor relationships. These relationships range from those with other regulated financial institutions to providers of professional services, as well as services related to the leasing of office space and IT. Such vendors include both suppliers that are engaged by MFS on a global basis and additionally, local suppliers.

3. Actions Taken by MFS Australia to Assess and Address Risks

MFS Australia is taking a number of 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. These include the following:

(a) Policies and Procedures

MFS Australia has an established set of frameworks, policies and procedures that govern its operations. These are relevant to how MFS Australia manages potential modern slavery risks with regard to its employees, supply chain and business operations and include:

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

MFS Australia's whistleblowing policy provides a confidential reporting mechanism for individuals to raise concerns. This channel is available for reporting modern slavery concerns, and MFS Australia will take appropriate action where issues are investigated and substantiated.

(b) Suppliers and Vendors

MFS takes a risk-based approach to supplier and vendor management.

MFS encourages its suppliers to adopt the same strict standards that we ourselves adhere to. Our MFS Vendor Oversight Monitoring Programme (the **Programme**) provides a framework for MFS management to identify, measure, monitor and control the risks associated with suppliers, service providers and outsourced vendors. The tools and techniques used to select service providers and monitor services under the Programme are based upon a risk relationship equation. The MFS Vendor Management Policy provides a framework for vendor selection and ongoing due diligence. Monitoring includes relationship management, establishment and monitoring of service levels, identification and assessment of fourth party



subservice providers, periodic meetings, evaluation of an independent accountant's report on internal controls (where applicable), conducting periodic due diligence assessments and evaluating conformance with the terms of written agreements, site visits as deemed applicable and management reporting.

MFS has also developed a Supplier Code of Conduct, which describes MFS' expectations of how its suppliers conduct business. All suppliers engaged in providing products and services to MFS are encouraged to follow the principles outlined in MFS' Supplier Code of Conduct, including aligning guidelines, policies and practices, and communicating the code provisions throughout their organisation and across their supply chain, including to subcontractors. Specifically, in relation to modern slavery, MFS expects its suppliers to be committed to: (i) acting ethically and with integrity in all their business dealings and relationships; and (ii) to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place in their businesses and supply chains. Suppliers are also expected to comply with all applicable modern slavery laws, statutes, regulations and codes; and take reasonable steps to ensure that there is no modern slavery in the supplier's supply chains or business operations.

In addition, MFS has implemented processes and controls (collectively, the "Sanctions Compliance Program") designed to comply with economic sanctions, including, to the extent applicable, sanctions administered and enforced by: (i) the Office of Foreign Assets Control (**OFAC**) of the US Department of the Treasury; (ii) the Office of the Superintendent of Financial Institutions (Canada); (iii) the United Nations Security Council, (iv) the European Union and (v) the Office of Financial Sanctions Implementation of Her Majesty's Treasury (U.K.) (**Sanctions Authorities**).

The Sanctions Compliance Program includes processes and controls designed to, among other things, prevent MFS from engaging in prohibited transactions with (i) any person or entity on the list of "Specially Designated Nationals and Blocked Persons" published by OFAC (or similar list published by another Sanctions Authority); or (ii) any country or territory that is the subject or target of any applicable comprehensive sanctions administered by OFAC or other Sanctions Authority. In addition, the Sanctions Compliance Program includes ongoing, automated screening of securities, vendors, employees and clients. MFS also has a propriety trading system that does not allow investments in companies domiciled in restricted countries.

(c) Investment Management and Responsible Investing

MFS integrates ESG risks, such as modern slavery, into the investment process. Each analyst and portfolio manager considers the materiality of ESG issues throughout the entire investment decision-making process. 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.

Steps that our analysts and portfolio managers may take to better evaluate the companies we own include:

- Analysing which companies are likely to be engaged in activities or industries that commonly face modern slavery issues using our in-depth security- and sector-level expertise;
- Evaluating the sustainability reports and corporate policies of potentially impacted companies to evaluate the strength of their efforts to eradicate modern slavery from their operations and supply chains;
- Incorporating the views of organisations that are experts in this area, such as Know the Chain, into the research process;
- Engaging with company management teams about the risk and the company's efforts to combat modern slavery; and



- Modelling and valuing modern slavery risks that we identify as material to the business case of the companies we own.

Importantly, MFS' investment team believes that businesses that undervalue and underpay their supply chain will be less likely to sustainably generate cash flows over the long term.

(d) *Employees*

MFS Australia has 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 MFS Australia has robust processes in place to minimise the risk of modern slavery in the operations.

4. How MFS Australia Assesses the Effectiveness of These Actions

MFS Australia understands that managing the risks associated with modern slavery requires an ongoing commitment and regular review of any actions taken. MFS Australia 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 Australia will review and enhance its approach to addressing modern slavery risks within its supply chain and operations by:

- Continuing to assess and engage with vendors through the on-boarding process, the Supplier Code of Conduct and monitoring process;
- Continuing to assess modern slavery risks as part of MFS' responsible investing policies and framework. The ESG analysts and covering analysts are working together to build frameworks to assess specific business risks for businesses most impacted by modern slavery. MFS sector maps help analysts identify the sub-sectors and industries which have the most vulnerable and at risk supply chains. This includes sizing the potential reputational risk and hit to revenues, increases in labour costs from increased wages and more stringent compliance to labour laws, cash flow impacts of litigation, and the impact on valuation as investors become more aware of these issues. Our ESG analysts have developed a specific set of engagement questions that analysts can use to build a complete picture of modern slavery risks during their informal meetings with company managements as well as during formal engagements with corporate sustainability teams and board members. We continuously seek new and improved sources of data that can be used to track corporate performance and improve the effectiveness of our corporate engagements; and
- Developing and implementing appropriate training to provide to employees. This includes ESG training from an investment perspective, but also general employee training to provide employees with awareness of relevant regulatory requirements and an understanding of modern slavery risks.



5. Board Approval

This Statement was approved by the MFS Australia Board of Directors.

Marian J. Poirier
Director

For clients wishing to discuss this statement, please contact your client service representative.

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