



MFS MODERN SLAVERY STATEMENT

Table of Contents

1. Reporting Entities.....	1
(a) Structure.....	2
(b) Operations and Supply Chain.....	2
2. Risks of Modern Slavery Practices in MFS' Operations and Supply Chains.....	3
3. Actions Taken by MFS to Assess and Address Risks.....	4
(a) Policies and Procedures.....	4
(b) Suppliers and Vendors.....	4
(c) Investment Management and Responsible Investing.....	5
(d) Employees.....	6
4. How MFS Assesses the Effectiveness of These Actions.....	6
5. MFS' Action Plan for the Next Reporting Period.....	7
6. Consultation.....	7
7. Board Approval.....	8

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 **us**) pursuant to section 16 of the *Modern Slavery Act 2018 (Commonwealth)* (the **Act**) and constitutes our statement for the reporting period 1 January 2021 to 31 December 2021. MFS Holdings and 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.

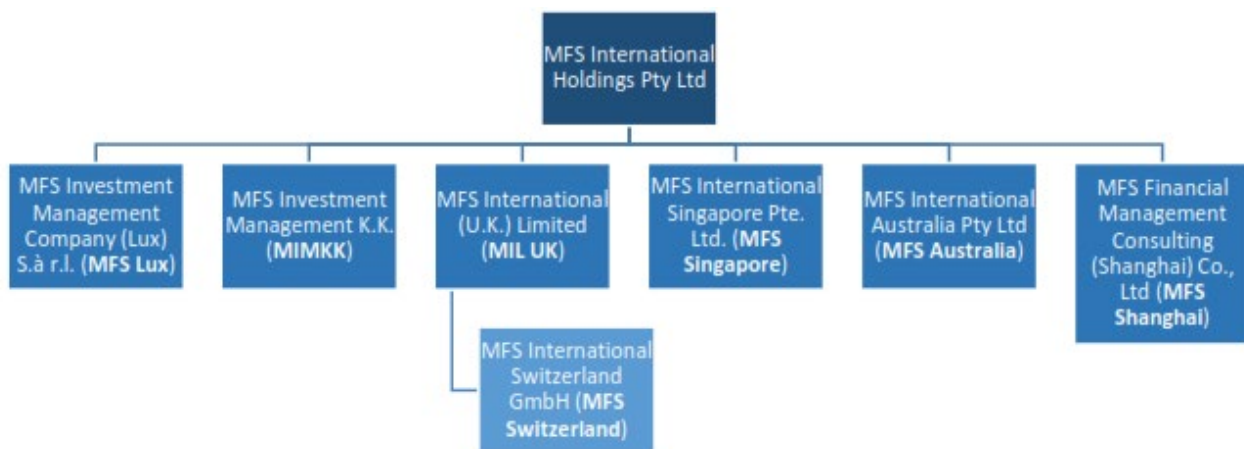
Modern slavery and forced labour remain a rampant problem in today's world. MFS recognises the damaging effect of these practices on people and communities, and is committed to not knowingly participating in, causing, contributing to, or being linked to modern slavery practices in its operations and 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 operated and administered by MIL UK 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 provide to their clients is set out in [MFS Holdings' 2020 Statement](#).

MFS Australia employs approximately 24 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 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

As a financial services organisation with a professional workforce, MFS 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 Statements, there is some risk of modern slavery in MFS' investments, as a result of MFS' broad global portfolio. In this second reporting period, MFS identified particular areas of risk including:

- *Sector and industry risk:* where certain sectors and industries may have high modern slavery risks because of their characteristics, products and processes. Indicators of this type of risk include the use of unskilled, temporary or seasonal labour, use of short term contracts and outsourcing, 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. Areas of such risk include but are not limited to agriculture and fishing, apparel, 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. There may be areas of geographic risk in our global investments which we will continue to assess and monitor.
- *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 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. MFS integrates ESG risks, such as modern slavery, into the investment process. 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, MFS has previously identified (and continues to identify) that higher risks may be associated with its suppliers of, for example, cleaning and maintenance services.

3. Actions Taken by MFS to Assess and Address Risks

In this second 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 updated a number of its policies and procedures to specifically address modern slavery risks, including its human resources policy, employee manual, compliance processes and risk management framework for MFS Australia.

(b) Suppliers and Vendors

MFS takes a risk-based approach to supplier and vendor management. As set out in MFS Holdings' 2020 Statement, MFS maintains the following controls in order 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 second reporting period, MFS has:

- Continued to assess and engage with vendors, including the issue of the supplier code of conduct during the vendor onboarding process;
- 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; and
- Continued to consider mechanisms for conducting deeper screening and detailed analysis of parts of our global supply chain.

(c) Investment Management and Responsible Investing

As discussed in MFS' 2020 Statements, 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.

Training on modern slavery has been provided to the MFS global investment team, which covers the investment teams at the MFS subsidiaries.

In this second reporting period, MFS has:

- Hosted representatives from the organisation Know the Chain, who presented to the MFS investment team on Know the Chain's research and company evaluations. Know the Chain is a resource for companies and investors to understand and address forced labor risks within their global supply chains. This organisation benchmarks companies and provides information on best practices in an effort to help companies and investors to evaluate their risk;
- Developed an initial Supply Chain Management framework that includes a framework for evaluating these risks and a list of potential engagement questions for the MFS investment team members to ask management teams;
- Joined Investors Against Slavery and Trafficking Asia Pacific, which is an investor-led initiative that engages with companies in the Asia Pacific region on modern slavery risks. Multiple members of the MFS investment team in the region are actively participating in working groups; and
- Met with certain companies in its portfolios to discuss modern slavery and related topics. These engagements have been supported by research and internal discussion among the MFS investment team regarding these risks.

As an example of MFS' integration of modern slavery risk management, ESG factors and active engagement with companies, during this reporting period MFS engaged with a portfolio company which operates in a higher-risk industry on the issue of supply chain labour practices both broadly across the group and specifically with respect to child slavery and its supply chain. At meetings, the MFS investment team raised with the company's CEO the issue of supply chain monitoring, as it relates to child labour and responsible sourcing. This topic has also been discussed with other similar manufacturers across the MFS research platform and was a topic that MFS published a paper in 2020 on modern slavery and forced labour. MFS utilised the research of regulators, NGOs and other expert organisations to help better understand the scale of these issues, which company supply chains are impacted and what actions can be taken to end such unacceptable working practices. MFS' broader research and discussions with this company, in particular, has given MFS confidence that the company has, for many years, put in place practices to ensure, as much as they can, their suppliers resource their operations responsibly. In future



reporting periods, MFS will continue to engage with this company and encourage ongoing monitoring, disclosure, and improvement of labour practices across their entire global supply chain, as part of a number of sustainability topics.

(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 second reporting period, MFS conducted further modern slavery training to employees located in Australia on relevant regulatory requirements and modern slavery risks. MFS has also incorporated training on modern slavery risk for all new employees hired in Australia.

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.
 - 22 vendors were onboarded globally during the second reporting period, including with the issue of the supplier code of conduct. To the best of our knowledge and based on the reviews performed, no issues were identified with these vendors in relation to modern slavery risks.
- Tracking general progress of our ongoing modern slavery risk assessment (details set out above at Section 3) as part of MFS' responsible investing framework.
 - 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.

5. MFS' Action Plan for the Next Reporting Period

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

MFS will 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. This may include, but is not limited to, refinements to the supplier code of conduct;
- 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;
- Our 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; and
 - Periodically developing research reports, written by both industry analysts and ESG analysts, that help the broader team to evaluate this risk.
- Considering whether any further general global employee training is necessary; and
- Exploring the development of a global human rights policy and due diligence framework to reflect the United Nations Guiding Principles on Business and Human Rights, including principles related to monitoring for and/or preventing modern slavery and other labour-related abuses in MFS global employment practices, investment processes and business relationships.

6. Consultation

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

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



7. Board Approval

This Statement was approved by 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
January 2022

Marian J. Poirier
Director, MFS International Australia Pty Limited
January 2022

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