

ESG in focus: Sun Life MFS Funds and fundamental research



SLGI Asset Management Inc. incorporates environmental, social and governance factors (ESG) into our process for evaluating, selecting and monitoring **sub-advisors**.

Here is how MFS Investment Management (one of our sub-advisors) describes their approach to fundamental research:

Our equity and fixed income investment teams rely on deep fundamental research and a long-term perspective to select securities they believe have the potential to produce sustainable returns throughout an economic cycle. This approach requires the incorporation of information from a variety of sources and an awareness of multiple viewpoints. We believe that the integration of ESG factors into our research is essential as these issues often impact the long-term, sustainable value of businesses.



1 | Working groups

Sustainable Investment Steering Group and thematic working groups

To further our ESG integration efforts, we created the Sustainable Investment Steering Group within our investment team. Comprising our head of sustainability and stewardship, CIO, ESG analysts and various other members of our investment team, the group's purpose is to provide guidance and feedback on our ESG integration strategy and execution.

We also formed four working groups to lead efforts related to key sustainability pillars: Climate Change, Societal Impact, Governance and Sovereign Risk. Each group includes our ESG analysts and a cross-section of investment team members, including specialists and generalists from fixed income and equity. The purpose of these groups is to stimulate discussion across the investment team and develop practical frameworks to inform our investment decision making process and corporate engagement strategy.



2 | Data

Enhanced access to ESG research and data

We want to ensure that our investment team has easy access to all internal research, along with the best available third-party resources. Invest, our proprietary online global research collaboration platform, organizes both internal and external ESG research and data for each issuer. This includes ESG commentary written by covering equity and fixed income analysts, links to relevant internal research notes and our proprietary Sector Map materiality framework that highlights key ESG issues for the issuer's industry/sub-industry. Adjacent tabs include information from various external research providers that is specific to the issuer. Additionally, in 2020, our ESG analysts developed an ESG dashboard that allows members of our investment team to view a broad spectrum of ESG metrics for up to 100 securities simultaneously.



3 | Education

Education program

We have developed a program of monthly seminars for the entire investment team. The program was launched in early 2021 and will feature a wide range of mostly external presenters, including asset owners and managers, academics and other industry stakeholders who have an interesting perspective that promises to enhance our team's understanding of sustainability-related issues.

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4 | Asset class

Sector and asset class research

Our eight sector research teams are continually incorporating ESG-focused research into their meeting schedules and have set a new goal of dedicating at least one meeting a quarter to a discussion of relevant sustainability topics. Likewise, our fixed income sub-asset class teams are dedicating meetings solely to ESG issues affecting sovereigns, municipals, high yield, etc.



5 | Roundtable

Investment roundtable

On the agenda of our virtual Investment Roundtable event in September 2020 were several sustainability related keynotes and thematic presentations. Kasper Rorsted, CEO of Adidas, provided insights into his company's sustainability journey during his presentation and Q&A with the investment team. Additionally, our ESG analysts delivered a presentation on how rising inequality is affecting society, companies and stakeholders. This was followed by breakout sessions in which various members of the investment research and portfolio management teams discussed the implications of this important social theme on their portfolios and sector coverage.



6 | Reviews

Portfolio sustainability reviews

As part of our systematic approach to ESG risk management, all MFS strategies are now subject to annual sustainability reviews focused exclusively on ESG risks. These reviews cover a wide variety of sustainability metrics and complement the ESG dimension of our semi-annual portfolio risk review process. Select strategies were reviewed during the fourth quarter of 2020, and we will continue to roll out this process throughout 2021.



7 | Performance

Performance evaluation and compensation

The analysis of ESG risks and opportunities is part of our investment process, and the long-term performance of each individual reflects this integration. In addition to assessment on a quantitative basis, a portion of our investment team members' compensation is based on qualitative factors, and ESG is now an explicit element of the qualitative assessment of performance, alongside other factors such as teamwork, communication and collaboration throughout the investment process.



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