



MFS[®] Stewardship Report

Fourth Quarter 2023

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Sustainability at MFS

MFS has been actively managing our clients' money since we created the first US open-end mutual fund in 1924. Deep fundamental research and a long-term perspective constitute the foundation of our investment approach. We seek to achieve our clients' long-term economic objectives by thoughtfully allocating their capital.

As an active manager, we have always sought to identify investments that can add long-term value for our clients. In 2009, we formed the MFS Responsible Investing Committee, now known as the Client Sustainability Committee, and issued the MFS Policy on Responsible Investing and Engagement to ensure that the consideration of sustainability topics is systematically integrated into our investment process.

We are continually thinking about how to enhance our investment approach and capabilities to ensure we remain equipped to manage our clients' assets in a rapidly evolving sustainability landscape, and we have added resources dedicated to this effort. We have also enhanced our efforts relating to stewardship, which we define as our fiduciary duty to engage productively with companies and other industry participants and exercise our voting rights thoughtfully and deliberately.

This report provides a quarterly update of our sustainability and stewardship activity. We hope it offers our clients insights into our sustainability approach and how we aim to maximize long-term risk adjusted returns for our clients.

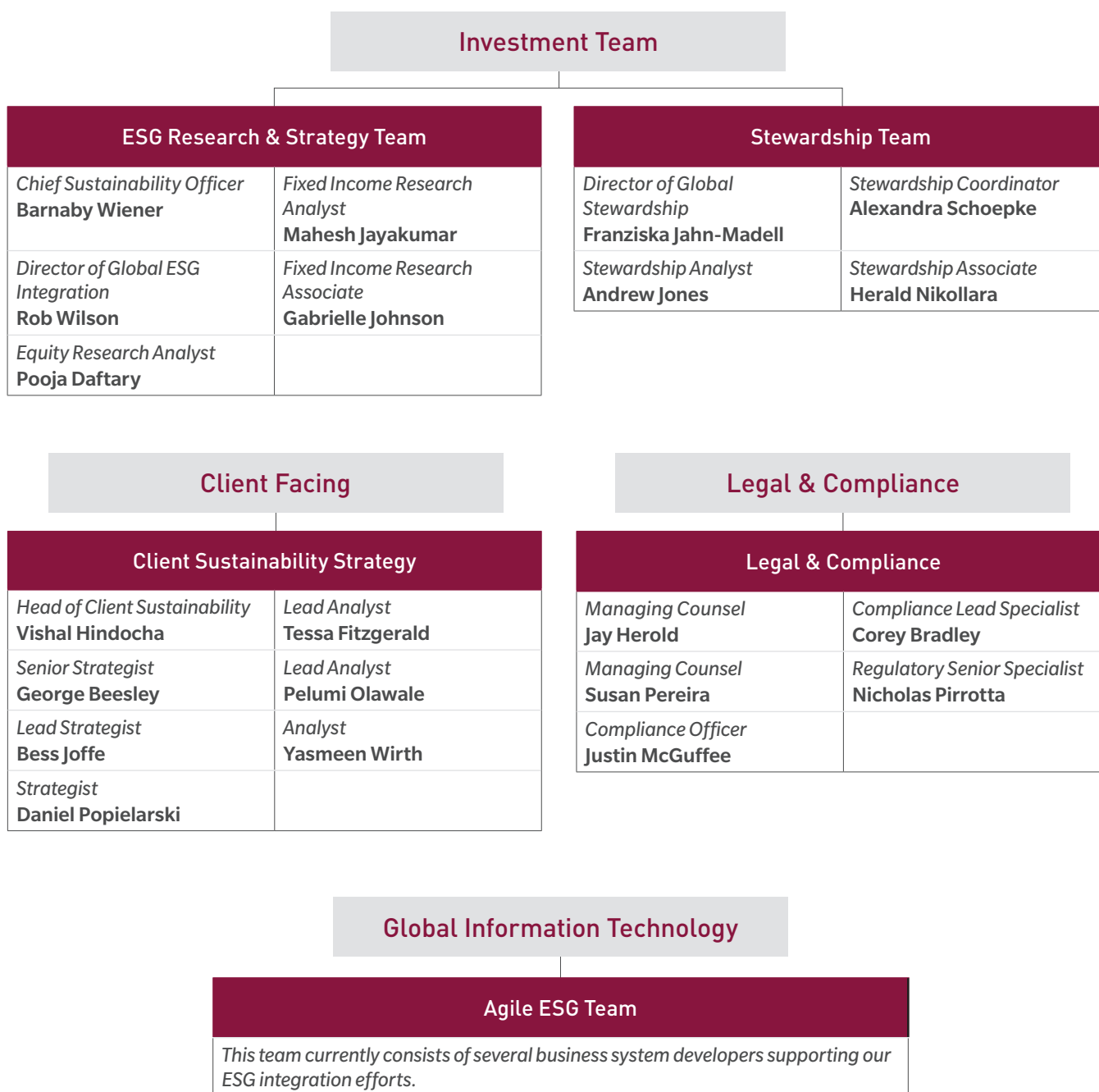
For a more comprehensive overview of sustainability at MFS, please visit mfs.com/sustainability, where you will find our Annual Sustainability Report, our responsible investing and proxy voting policies (which govern our stewardship activities) and a wide variety of research and thought leadership.

We recognize that sustainability is an important topic for our clients, and we welcome any opportunity to discuss it further with you.

Dedicated sustainability professionals

At MFS, we believe that a successful approach to sustainability requires the participation of our entire firm. Sustainability is integrated into our fundamental investment process; it is not a separate discipline with different inputs or outcomes. As such, our process requires that all our investment professionals be actively engaged in, and responsible for, its success.

To facilitate the adoption, implementation and enhancement of sustainability-related practices across the firm, we task certain people with providing strategic leadership and supporting the effective integration of sustainability topics across teams and disciplines. These people are positioned across our Investment, Stewardship, Client Sustainability Strategy, Legal, Compliance and Information Technology teams, as outlined below.



As of 31-Dec-23.

Investments

Barnaby Wiener, one of our most seasoned portfolio managers, serves as chief sustainability officer. A leader and culture carrier who has long been a champion of sustainability, Barnaby works closely with our ESG-dedicated research analysts as they collaborate with the rest of the Investment team in the effort to ensure our investors properly address sustainability in their research and portfolio management duties. He also plays a strategic role regarding issuer engagement on sustainability topics.

Our Investment team includes our director of global ESG integration, an equity research analyst, a fixed income research analyst and a fixed income research associate, who are dedicated solely to ESG research and who have done much to advance the team's thinking on ESG topics. These people fulfill a critical role in facilitating our sustainability efforts, which is to support and enhance the ongoing research into ESG topics performed by our portfolio managers and analysts.

Stewardship

The Stewardship team's position within the Investment team improves the collaboration between our stewardship professionals and our investment professionals with the goal of more efficient and impactful engagements across our holdings. The five people on the team are responsible for carrying out our stewardship efforts, including individual and collective engagements and exercising our proxy voting rights. We continue to prioritize investing in our stewardship resources.

Client sustainability strategy

A team of seven are dedicated to engaging with our clients and the investment industry on ESG issues as well as developing thought leadership around sustainability topics. This team plays an important role because industry participants want to understand how asset managers such as MFS approach sustainability.

Legal and Compliance

Two attorneys and one paralegal in our Legal Department are dedicated to assessing and monitoring and appropriately addressing ESG and stewardship-related issues in order to ensure MFS is aware of all relevant regulatory and legal requirements in jurisdictions where we do business. Additionally, we have an ESG-dedicated compliance officer as well as a compliance specialist situated in our Compliance Department.

IT

The Agile ESG team within our IT department is strategically placed to facilitate our data and reporting capabilities. They contribute to the development and enhancement of numerous ESG-related systems as we continue to work toward meeting evolving regulatory requirements and client reporting demands.

The stewardship team's position within the investment team improves the collaboration between our stewardship professionals and our investment professionals.

Sustainability and Stewardship Update

Fourth quarter 2023

There were no substantial changes to our overarching sustainability and stewardship practices or policies during the fourth quarter of 2023.

ESG research and stewardship update

Our Stewardship team developed updated guidelines for our proxy voting policies in key Asian markets including India, Hong Kong, China and South Korea, as well as Latin American markets Chile, Mexico and Brazil. These policies were developed through working groups comprising members of our Stewardship team as well as investment specialists and portfolio managers in the region. The policies cover board independence, gender diversity, board size and overboarding. These updates are based on a long-term plan to create clarity, consistency and transparency across different markets for issuers and our clients. We also intend to ratchet up our proxy voting requirements over time, toward what MFS believes is best governance practice, and broaden the criteria we use in evaluating corporate governance so our evaluation is more balanced and progressive.

Personnel changes

MFS' Stewardship team will be joined by a new stewardship associate and a senior stewardship associate. The new hires will focus on proxy voting, engagement, ESG integration and data. They come from within the investment industry and have significant experience in this area.

We also intend to ratchet up our proxy voting requirements over time, toward what MFS believes is best governance practice, and broaden the criteria we use in evaluating corporate governance so our evaluation is more balanced and progressive.

Stewardship at MFS

We believe open communication with companies and issuers is an important aspect of our ownership responsibilities, which is why we take a constructive approach to engagement. Characterized as collaborative, materiality oriented and issuer-focused, we believe this approach gives us an analytical advantage and can act as a source of alpha generation. It is our view that the best outcomes are most likely achieved through strong relationships and regular, mutual dialogue with our portfolio companies. Our goal when engaging is to exchange views on ESG topics that represent material risks or opportunities for companies or issuers, and to effect positive change on such issues. We believe that long-term-oriented asset managers who engage companies on ESG topics can positively influence a multitude of better business practices, which will ultimately accrete value for our clients. Our engagement approach is driven by strong collaboration between all members of our investment platform, including our stewardship team. Our engagements take place consistently, and in a number of different forms, often through mutual dialogue with company management, formal letters, ESG-focused board meetings and more. We may also work with other industry participants.

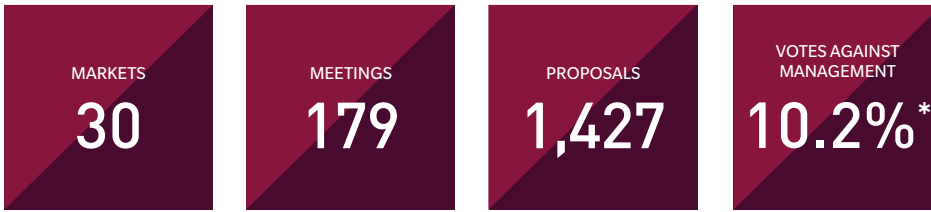
We believe that our approach to engagement can generate positive impacts for industries, individual companies and a wide range of stakeholders, including shareholders. We actively participate in industry initiatives, organizations and working groups that seek to improve and provide guidance on corporate and investor best practices, ESG integration and proxy voting issues. MFS is a member of or signatory to a variety of organizations and initiatives that promote ESG topics, including the Principles for Responsible Investment (PRI), the US Investor Stewardship Group (ISG), the Workforce Disclosure Initiative (WDI), the CDP, Climate Action 100+ (CA100+) and Ceres. We frequently participate in CA100+ company engagements, and we are actively encouraging our portfolio companies to enhance disclosure and adopt best practices across a variety of ESG topics such as setting science-based emissions reduction targets, addressing modern slavery and forced labor concerns and enhancing disclosure around employee management practices.

Our approach is centered around two aims, and in many cases overlap:

- **Knowledge exchange/monitoring** — We seek engagement opportunities to improve our understanding of investee companies and enhance our investment decisions. By engaging with a company to achieve specific goals, we improve our understanding of the material ESG risks it faces, and also share our own values and broader expectations.
- **Engagement with a potential influence on real-world change** — When necessary, we seek to challenge issuers' behaviour in relation to ESG considerations. We generally approach these engagements by setting specific objectives over the course of a specified time frame with the goal of potentially influencing change in the real economy thus upholding our fiduciary responsibility to our clients.

We actively participate in industry initiatives, organizations and working groups that seek to improve and provide guidance on corporate and investor best practices, ESG integration and proxy voting issues.

PROXY VOTING ACTIVITY



**Percentage of total votes. MFS voted against management on at least one ballot item at 27.5% of meetings during the quarter.*

In the fourth quarter, the proposed Proxy Voting Policy for 2024 was reviewed and approved by the relevant Committees ready for publication on January 1. The team also considered the policy updates of the proxy advisory agency for any possible impact on the application of the MFS policy.

Engagement meetings included further consultations on compensation plans ahead of companies finalizing annual meeting documentation in Q1. We were pleased to see several companies revise proposed policies considering shareholder feedback, including our own. The fourth quarter is generally a quiet period for proxy voting activity.

Recent Engagement Activity

Samsung

South Korean multinational major appliance and consumer electronics corporation

Sector: Information Technology

Industry: Computer Systems

Date: November 2023

Participants: ESG analyst, equity analyst and portfolio managers



SAMSUNG HAS DEVELOPED BETTER RISK MONITORING SYSTEMS FOR SUPPLIERS OVER THE PAST FEW YEARS

We continued to engage with Samsung during the quarter on its supply chain practices. This was a particularly constructive discussion as the company has become more open to discussing the topic, which is receiving more attention as supply chain regulations are tightening in the European Union and elsewhere and companies are increasingly being asked to prove that their suppliers do not violate modern slavery laws.

Our focus has been on the company's mobile phone business in particular as it is labor intensive and has a multitiered global supply chain. Samsung has developed better risk monitoring systems for suppliers over the past few years, but an additional issue to address is how upstream suppliers are incentivized through contractual terms that affect suppliers' compliance with the company's modern slavery policies. While Samsung conducts extensive labor audits, the audits in and of themselves tend to be focused on historical issues and may not address emerging pockets of labor risk in the supply chain.

Samsung is also exposed to supply chain labor risk in its sourcing of critical minerals such as nickel and cobalt. It has joined the Responsible Minerals Initiative (RMI) as board members to establish industry best practice on securing conflict free minerals. This is a positive development that could indicate that the company views these issues to be both financially and operationally material. We are keen to explore this topic in further detail with them.

We note that Samsung's disclosure on risk management systems for supplier monitoring has also improved substantially over the past year and that the management team has been open to dialogue with investors, which we find encouraging.

Danone SA

French multinational food-products corporation

Sector: Consumer Staples

Industry: Food & Beverage

Date: November 2023

Participants: Equity analyst, stewardship analyst



THE COMPANY STATED THAT IT IS ENGAGING WITH THE CLAIMANTS AND HAS FURTHER COMMUNICATED THAT IT IS INVESTING HEAVILY IN RECYCLING INFRASTRUCTURE

Members of our Investment team continued our engagement with Danone on board composition, CEO remuneration and plastics. In the meeting, we noted significant improvement in the company's board composition since 2022 in terms of independence and diversity of talent. We welcomed the company's efforts to recruit new directors with international experience, its understanding of sustainability and transition risk, and its sectoral expertise.

On remuneration, we discussed the changes to the CEO's Short Term Incentive Plan (STI) and Long Term Incentive Plan (LTIP) which was approved at the 2023 AGM. We believe these changes better aligned CEO remuneration with long-term shareholder interests by incorporating strategic sustainability criteria to the incentive plans. However, we said we wanted to see greater clarity on how the CEO would be differently rewarded for greenhouse gas emissions reductions across the company's value chain in the LTIP and STI. We shared that we would like to see the GHG component of the LTIP broken down further to ensure that the emissions reduction payout isn't unnecessarily duplicated.

Lastly, we discussed recent litigation against Danone claiming that the company's reporting was misleading with regard to its plastic-water-bottle recycling rate. The company stated that it is engaging with the claimants and has further communicated that it is investing heavily in recycling infrastructure to ensure that its bottles and other single-use plastics are widely recycled. The company also said it is lobbying for regulation that requires all producers to switch to recycled plastic for their bottles so it is not disproportionately impacted by the higher cost of using 100% recycled plastic in its packaging. We have asked to talk to the Danone's plastics expert as well as to its plastics-focused innovation team, and we will continue to closely monitor the progress. We have also discussed the allegations with one of the claimants.

Playtech PLC

Gambling software technology company

Sector: Consumer Cyclical

Industry: Gaming & Lodging

Date: October 2023

Participants: Fixed income analysts, fixed income portfolio manager, ESG analyst



PLAYTECH HAS DEVELOPED TOOLS TO HELP ITS CLIENTS IMPROVE THE STANDARD OF RESPONSIBLE GAMBLING

We engaged with executives at Playtech to discuss the company's existing and planned measures to promote safer gambling and help shape regulation in the industry. As a leading technology provider to the gambling industry, we view these topics as particularly material for Playtech. In response to our concerns, we were presented with significant evidence of proactive risk management. Playtech has developed tools to help its clients improve the standard of responsible gambling and claims to be working closely with regulators on policy development, particularly in countries and markets where gambling regulation is novel or in its early stages. Additionally, the company publishes significant annual sustainability reporting in which it outlines its sustainability strategy and framework, related commitments, future targets and progress against these goals. While we will continue to monitor Playtech's behavior in the evolving gambling space, we left the engagement feeling that the company has implemented a robust framework to address and manage ESG-related risks.



Walt Disney

American multinational mass media and entertainment conglomerate

Sector: Consumer Cyclical

Industry: Broadcasting

Date: November 2023

Participants: Equity analyst



THE BOARD PLANS TO CONVENE A SPECIAL SUCCESSION PLANNING COMMITTEE TO DETERMINE THE DESIRABLE SKILLSETS FOR THE NEXT CEO

We recently engaged with Walt Disney regarding a series of governance topics, including succession planning. Our discussion focused on the addition to the board of two new members experienced in succession planning and global media skills. The board plans to convene a special succession planning committee to determine the desirable skillsets for the next CEO and evaluate potential candidates. We believe the planned involvement of the current CEO remains critical, as it lends credibility to the work of the committee given his continued influence.

Ultimately, we found the additions to the board and the creation of the committee encouraging given prior shareholder concerns regarding the board's skills matrix and its execution of succession planning. Our discussion also focused on board evaluation practices, including overboarding, and potential activist involvement. The company remains open to listening to shareholder viewpoints, and we will continue to engage regarding these governance topics.

Rolls Royce Holdings PLC

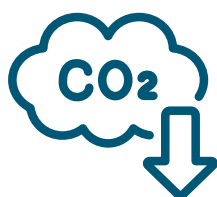
British multinational aerospace and defence company

Sector: Capital Goods

Industry: Aerospace & Defence

Date: December 2023

Participants: ESG analyst, equity analyst



THE COMPANY APPEARED TO BE TAKING STEPS TO SUPPORT ITS NET ZERO ALIGNMENT WHILE LIMITING ITS CLIMATE-RELATED RISK EXPOSURE

In our recent engagement with Rolls-Royce, we were pleased to see progress made on previous engagement requests, in particular climate-related disclosures and emissions reduction target setting. The company is working to have its emissions targets SBTi validated following the recent strategic review. We further investigated aspects of the company's climate risks, targets, emissions data and policy environment. We noted that the Rolls Royce's product-use emissions goals are highly dependent on developments in the sustainable aviation fuels, a factor relatively outside its control. However, the company appeared to be taking steps to support its net zero alignment while limiting its climate-related risk exposure. We will continue to monitor the status of the Rolls-Royce's target setting, plans, actions and related management incentives.





In 1924, MFS launched the first US open-end mutual fund, opening the door to the markets for millions of everyday investors. Today, as a full-service global investment manager serving financial professionals, intermediaries and institutional clients, MFS still serves a single purpose: to create long-term value for clients by allocating capital responsibly. That takes our powerful investment approach combining collective expertise, thoughtful risk management and long-term discipline. Supported by our culture of shared values and collaboration, our teams of diverse thinkers actively debate ideas and assess material risks to uncover what we believe are the best investment opportunities in the market.

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