



## Engagement Policy Statement

### Introduction

1. This Engagement Policy Statement explains how MFS International (U.K.) Limited (“**MIL UK**”) and MFS Investment Management Company (Luxembourg) S.a.r.l. (“**MFS Lux**”) integrate engagement with corporate issuers of equity and debt securities in their investment strategies. This Engagement Policy Statement has been prepared to meet the requirements of the Shareholder Rights Directive II.<sup>1</sup>
2. MIL UK is authorised and regulated by the UK Financial Conduct Authority as a portfolio management investment firm. MFS Lux is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier as a management company.
3. MIL UK and MFS Lux, together with its affiliates (collectively “**MFS**”) provide portfolio and investment management services to clients and investors on a global and integrated basis and apply a global approach to shareholder engagement. For this reason, this Engagement Policy Statement is applicable to all equity and certain debt investments made by MIL UK and MFS Lux, including shares admitted to trading on markets situated or operating outside the United Kingdom and European Union.

### Annual Reporting on the Implementation of this Engagement Policy

4. Please refer to the latest MFS Sustainable Investing Annual Report and periodic MFS Stewardship Reports for details on how MIL UK and MFS Lux have implemented this Engagement Policy Statement. Both these publications provide investors and clients with information relating to MFS’s global sustainable investing activities including topics covered in this Engagement Policy Statement. As MFS applies a global approach to shareholder engagement, the MFS Sustainable Investing Annual Report and MFS Stewardship Reports are indicative and relevant to the topics covered in this Engagement Policy Statement for MIL UK and MFS Lux. In particular, the MFS Sustainable Investing Annual Report will provide general considerations, trends and data relating to MFS’ engagement with investee companies, proxy voting and the use of proxy service providers for the reporting period covered. The periodic MFS Stewardship Reports will include representative examples of issuer engagement as well as qualitative and statistical analysis of proxy voting activity for the reporting period covered. Please also refer to [www.mfs.com](http://www.mfs.com) for details on how MFS cast proxy votes in the general meetings of investee companies for the reporting period covered.
5. The MFS Sustainable Investing Annual Report, periodic MFS Stewardship Reports and Proxy Voting Information are available on [www.mfs.com](http://www.mfs.com).

### Overview

6. Clients and investors appoint MFS to generate investment returns in accordance with their objectives and risk parameters. As an active investment manager, MFS employs long term investment strategies that invest in companies which MFS considers to have the necessary fundamentals, competitive advantages and sustainability attributes from which value can be created over a full market cycle.

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<sup>1</sup> Directive (EU) 2017/828 amending Directive 2007/37/EC as regards the encouragement of long-term shareholder engagement.

7. Engaging with companies that MFS has invested in on behalf of clients and investors is an important component of the MFS investment approach. As an investment manager with a long term investment horizon, MFS believes engagement can protect and enhance long term value to the benefit of both asset owners and companies. Engagement is recognised as an important component of effective stewardship in the UK Stewardship Code which MFS is a signatory. The MFS statement of compliance on the UK Stewardship Code is available on the "Sustainable Investing at MFS" section on [www.mfs.com](http://www.mfs.com).<sup>2</sup>
8. Broadly, MFS approaches engagement as two related parts: engaging companies, especially through meetings and direct communications with the management of companies ("**Management Engagement**"); and exercising voting rights as a shareholder on behalf of clients for whom MFS has voting discretion ("**Proxy Voting**").
9. At MFS, Management Engagement is undertaken by dedicated MFS analysts responsible for covering an investee company and MFS portfolio managers that are invested or considering an investment in an investee company ("**MFS Investment Professionals**") as well as dedicated MFS Proxy Voting Professionals ("**MFS Proxy Professionals**"). Proxy Voting at MFS is undertaken in accordance with the MFS Proxy Voting Policies and Procedures. These policies and procedures are overseen by the MFS Proxy Voting Committee with assistance from the MFS Proxy Professionals.
10. MFS prioritizes its engagement activity in a number of ways. For example, MFS will prioritize engagements with companies where MFS has substantial ownership or where MFS believes a particular topic is financially material for an issuer. In addition, MFS Investment Professionals and MFS Proxy Professionals both monitor engagement results and outcomes.
11. MFS is committed to sustainable investing, a term used to encompass the integration of environmental, social and governance ("**ESG**") factors into investment processes, Proxy Voting activity and issuer engagement. An in-depth perspective on our sustainable investing activities for the most recent calendar year is available on the "Sustainable Investing at MFS" section on [www.mfs.com](http://www.mfs.com).<sup>3</sup>

## Monitoring and Conducting Dialogue with Investee Companies

12. Management Engagement is an integral part of the MFS investment approach and often takes place even before an investment is made, i.e. at the prospective stage. Investment decisions are made based on an understanding and assessment of the company using a broad range of qualitative and quantitative considerations. These considerations may include the company's business strategy, financial condition, capital structure, and ESG factors that are material to financial value. Management Engagement enables MFS to better understand the risks and opportunities facing a company and validate our assessment against these considerations when making an investment and thereafter on an ongoing basis if MFS chooses to invest in the company. The analysis and ongoing monitoring is undertaken by the MFS analyst responsible for covering the investee company in collaboration with MFS portfolio decision makers and other investment analysts (e.g. ESG, quantitative, and analysts). By way of examples, Management Engagement can enable the MFS analyst and portfolio decision makers to better understand management's perspective on its business strategy to manage risk and remain competitive over the long-term; the use to which the company seeks to deploy its capital; or how the company intends to reduce its reliance on fossil fuels.
13. Management Engagement includes ongoing discussions between MFS Investment Professionals and management of investee companies during meetings at the offices of MFS, the offices of the investee company, investment conferences or conference calls. These "informal" Management Engagements are used to cover any issue or topic that MFS considers relevant to its investment thesis in the investee company, where relevant, based on its analysis

<sup>2</sup> Select "United Kingdom" (as your location) followed by "What We Do", "Sustainable Investing at MFS" for the Responsible Investing Policy Statement.

<sup>3</sup> Select your location followed by "What We Do" and "Sustainable Investing at MFS".

and monitoring assessments. Management Engagement also includes more "formal" engagements that are held between MFS Investment Professionals and C-suite executives or board members where for example MFS is requesting the implementation of specific changes. This type of Management Engagement may take the form of a formal exchange of correspondence.

14. These levels of Management Engagement allow MFS to stay current with developments at the company, monitor factors such as the company's strategy, financial and non-financial performance and risks, assess the effectiveness of management and provide feedback as an investor focused on long-term value creation. Where possible, MFS will seek to develop a long-term relationship with management that facilitates open and constructive dialogue. As a large shareholder in a number of investee companies, it is the experience of MFS that Management Engagement is taken seriously by management. In many cases, this has resulted in more open and insightful dialogue with investee companies that benefits both management and MFS investors.
15. MFS Proxy Professionals may engage with management to enhance MFS' understanding of certain matters including (but not limited to) matters subject to shareholder votes, executive compensation, director accountability, corporate culture and shareholder proposals on ESG issues. On an annual basis, MFS publishes its engagement priorities for the upcoming proxy voting season.
16. Except as set forth above, MFS does not generally make public statements about a particular engagement activity, in preference for direct and private engagement with investee companies on a one-on-one basis conducted in accordance with applicable laws. MFS considers that this type of engagement is constructive and has a meaningful impact that better serves the long term economic interests of clients. However, MFS may occasionally escalate an engagement by making known its position openly in the public domain where such a course of action is deemed necessary to protect the long term economic interests of clients or by divesting shares, if that outcome is deemed to be the better course of action for clients.
17. It is important to note that MFS undertakes Management Engagement in accordance with and within the parameters of applicable market abuse and insider dealing laws including the EU Market Abuse Regulation and has implemented policies, procedures and controls to comply with such requirements.
18. Further information relating to MFS' Management Engagement activities for the most recently completed calendar year is available in the MFS Sustainable Investing Report, which is available on [www.mfs.com](http://www.mfs.com).<sup>4</sup>

## Proxy Voting

19. MFS has adopted a clear and robust policy on voting securities owned by clients for which MFS has been delegated voting authority. The MFS Proxy Voting and Procedures are publicly available on [www.mfs.com](http://www.mfs.com).<sup>5</sup> MFS Proxy Voting activities are overseen by the MFS Proxy Committee (which includes senior personnel from the Investment and Legal teams) with the assistance of MFS Proxy Professionals.
20. In summary, Proxy Voting decisions are made in what MFS believes to be the best long-term economic interest of MFS clients. This overriding principle determines all proxy votes cast by MFS on behalf of clients. As a general matter, MFS aims to vote consistently on similar Proxy Voting proposals across all shareholder meetings. Certain proposals, such as proposals that MFS is concerned could result in excessive executive compensation or which involve ESG considerations, are analysed on a case by case basis based on the relevant facts and circumstances. Such proposals are considered by the MFS Proxy Professionals in collaboration

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<sup>4</sup> See pages 22 to 25.

<sup>5</sup> For Institutions and Consultants, select your location followed by ""Manage Your Account" and "Proxy Voting". For Investment Professionals, select "Client Account Management" and "Proxy Voting".

with the relevant MFS analysts and portfolio decision makers in determining how the votes should be cast in the long term economic interests of clients. MFS may therefore vote similar proposals differently based on the specific facts and circumstances of the company or the terms of the proposal. MFS also generally votes consistently on the same matter when the securities of an issuer are held across multiple client portfolios.

21. Certain MFS clients may retain or reserve voting authority in relation to voting rights attached to securities acquired by MFS on behalf of clients. Such clients will exercise the voting rights directly or indirectly by instructing MFS to exercise votes in accordance with their instructions (which may be different to the votes that MFS exercises on behalf of other clients).
22. In addition to the overriding principle that voting decisions are made in what MFS believes to be in the best long-term economic interest of clients, the MFS Proxy Voting and Procedures set forth MFS' voting policy and approach with respect to specific issues, including, without limitation, the election and independence of directors, classified boards (i.e. a board in which only one-third of board members is elected each year), proxy access (i.e. the ability of shareholders to nominate directors on an issuer's proxy statement), advisory votes on executive compensation, and shareholder proposals on executive compensation as well as proposals relating to environmental, social and governance matters. Further details relating to MFS' approach on specific Proxy Voting issues are set out in the MFS Proxy Voting Policies and Procedures.
23. A client who has delegated proxy-voting authority to MFS may request a report with a record of votes cast on its behalf. The proxy voting records of the MFS Meridian Funds which are disclosed on a quarterly basis are available at [www.mfs.com](http://www.mfs.com).
24. A global analysis of MFS' Proxy Voting practices, including how votes were cast by region for the most recently completed proxy voting year (1 July to 30 June) is included in the MFS Sustainable Investing Annual Report (which is published annually during the first quarter). More information about our Proxy Voting activities is available in the proxy voting section of [www.mfs.com](http://www.mfs.com).

### **Use of Proxy Service Providers**

25. MFS uses a proxy advisory firm to perform various proxy voting-related administrative services, such as vote processing and recordkeeping. Whilst MFS also receives research reports and vote recommendations from proxy advisory firms, MFS analyses all proxy voting issues within the context of the MFS Proxy Voting Policies and Procedures, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. Proxy advisory firm research reports are one aspect of MFS' comprehensive analysis, which includes other essential sources of information (e.g., collaboration with MFS Investment Professionals, proxy materials, engagement, other third-party information, etc.) that help determine the votes that MFS believes are in the best long-term economic interest of its clients. MFS may also use proxy advisory firms to identify general best practices within certain markets, including, for example, certain aspects of the UK Governance Code. MFS has due diligence procedures in place to reasonably address any potentially material conflicts of interest with proxy advisory firms.

### **Cooperating with other shareholders**

26. MFS believes that working with like-minded investment managers and asset owners on collaborative engagement initiatives can be an effective way to raise standards and promote good practices within the broader investment industry. MFS regularly assesses whether it should participate in collaborative bodies or organisations that facilitate such initiatives. In relation to shareholder engagement, MFS is a signatory to the following:
  - Principles for Responsible Investing ("PRI"). MFS reports on its responsible investing efforts each year. Information regarding MFS' most recent PRI assessment is available on [www.mfs.com](http://www.mfs.com) (see Sustainable Investing at MFS); and

- UK Stewardship Code. The MFS statement of compliance on the UK Stewardship Code is also available on [www.mfs.com](http://www.mfs.com) (see Sustainable Investing at MFS).
27. From time to time, the MFS analysts and portfolio decision makers may engage with other security holders to exchange views on issues of common interest in investee companies. It is the policy of MFS for such exchanges to be conducted in compliance with applicable laws.

### **Managing Actual and Potential Conflicts of Interest**

28. Both MIL UK and MFS Lux have implemented policies that establish a framework to identify, prevent and manage conflicts of interest that may arise in the ordinary course of providing services to clients, including our shareholder engagement activities.
29. MFS personal trading policies and procedures require employees to disclose personal and beneficially owned securities, the accounts in which the instruments are held, and obtain MFS approval to execute any transaction in the securities. MFS approval is given only where the transaction is consistent with the conflicts of interest policy implemented by MFS.
30. The MFS Proxy Voting Committee is responsible for monitoring potential conflicts of interest that arise in connection with MFS' Proxy Voting activities. MFS internal policies require all MFS employees, including members of the MFS Proxy Voting Committee and MFS Proxy Professionals, to avoid actual and potential conflicts of interest between personal activities and MFS' client activities. Where an MFS employee identifies an actual or potential conflict of interest with respect to any voting decision (including the ownership of securities in their individual portfolio), the employee is required to recuse himself/herself from participating in the voting process. Furthermore, the MFS Proxy Voting Committee does not include individuals whose job responsibilities primarily include client relationship management, marketing or sales.
31. The MFS Proxy Voting Policies and Procedures include a description of how MFS manages potential, material conflicts of interest in regards to proxy voting at portfolio companies. MFS' policy is that proxy voting decisions are made in what MFS believes to be in the best long-term economic interests of its clients, and not in the interests of any other party or in our corporate interests. In cases where MFS (i) considers overriding a specific guideline in its Proxy Voting policies or procedures; (ii) considers a matter that is not governed by a specific guideline; (iii) evaluates an excessive executive compensation issue related to the election of directors; or (iv) considers a matter that requires a vote recommendation from our investment team (e.g., mergers and acquisitions), MFS will consider whether the matter involves an issuer that has a significant relationship with MFS. Where MFS identifies such a significant relationship and therefore a potential conflict, the MFS Proxy Voting Committee will carefully evaluate the proposed vote to ensure that the proxy is ultimately voted in what MFS believes to be the best long-term economic interests of its clients rather than MFS own corporate interests and then report the matter to the MFS Conflicts Officer.
32. In instances where MFS is evaluating a director nominee who also serves as a director of the MFS Funds (i.e., pooled investment vehicles sponsored by MFS), then the MFS Proxy Voting Committee will adhere to the procedures described in 30 above regardless of whether MFS has a significant relationship with the issuer.
33. If a MFS client has the right to vote on a matter submitted to shareholders by Sun Life Financial, Inc. or any of its affiliates, MFS will cast a vote on behalf of such MFS client as such client instructs or in the event that a client instruction is unavailable pursuant to the recommendations of Institutional Shareholder Services, Inc.'s ("ISS") benchmark policy, or as required by law. Likewise, if an MFS client has the right to vote on a matter submitted to shareholders by a public company for which an MFS Fund director/trustee serves as an executive officer, MFS will cast a vote on behalf of such MFS client as such client instructs or in the event that client instruction is unavailable pursuant to the recommendations of ISS or as required by law

34. Certain MFS Funds (each a "top tier fund") from time to time may own shares of other MFS Funds (each an "underlying fund"). If an underlying fund submits a matter to a shareholder vote, the top tier fund will generally vote its shares in the same proportion as the other shareholders of the underlying fund. If there are no other shareholders in the underlying fund, the top tier fund will vote in what MFS believes to be in the top tier fund's best long-term economic interest. If an MFS client has the right to vote on a matter submitted to shareholders by a pooled investment vehicle advised by MFS (excluding those vehicles for which MFS role is primarily portfolio management and is overseen by another investment adviser), MFS will cast a vote on behalf of such MFS client in the same proportion as the other shareholders of the pooled investment vehicle.