



MFS[®] Stewardship Report

Second 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 responsibly 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 the systematic integration of sustainability topics into our investment process.

We are continuously 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. We have added resources dedicated to integrating sustainability into every aspect of our investment process. We have also enhanced our efforts relating to stewardship, which we define as our fiduciary duty to allocate capital responsibly, 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 allocate their capital responsibly.

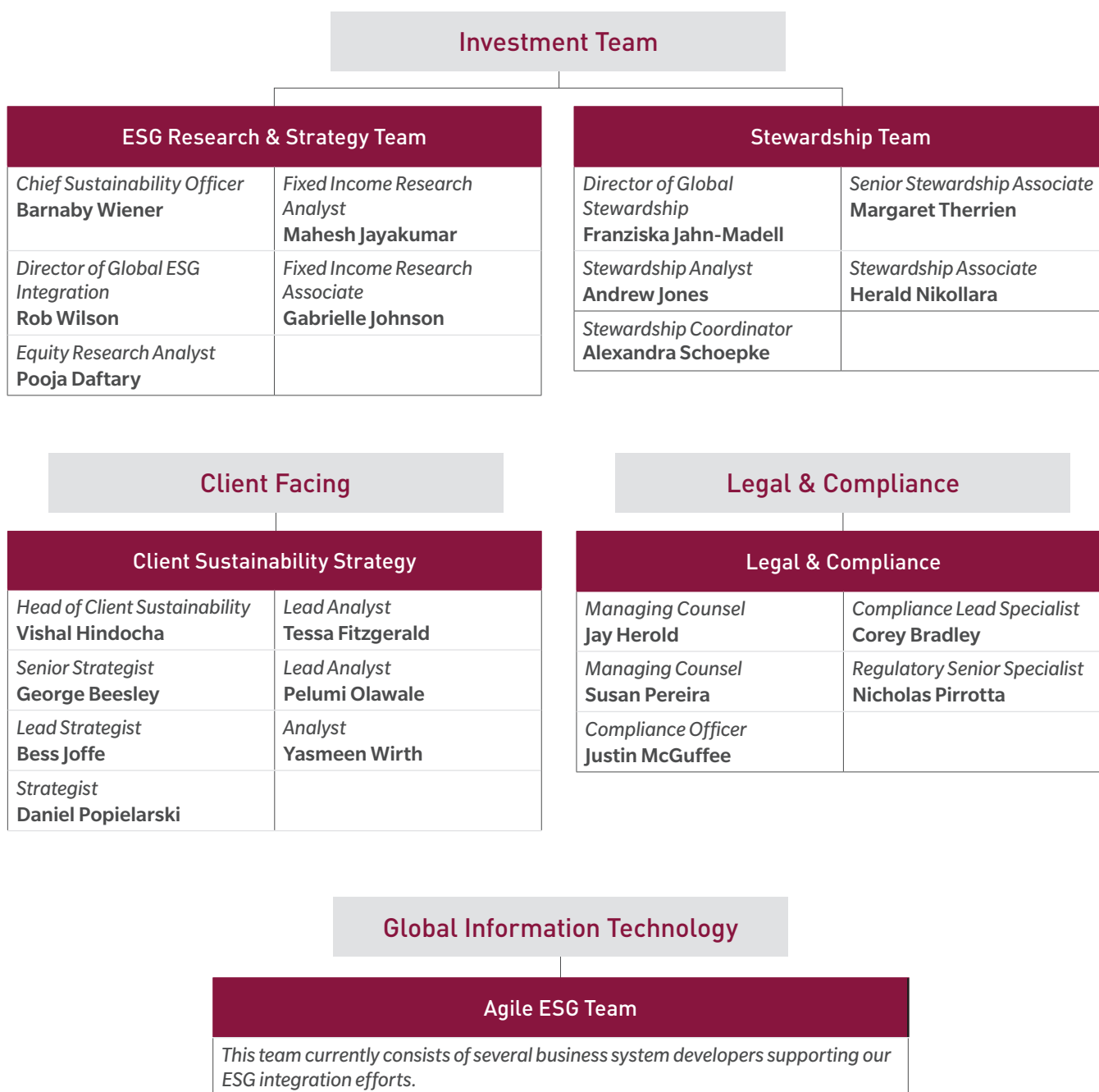
For a more comprehensive overview of sustainability at MFS, please visit mfs.com/sustainability, where you will find our Annual Sustainability Report, our responsible investing and proxy voting policies (which govern our stewardship activities) and a wide variety of research and thought leadership.

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, it is our firm belief 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 are 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 and Compliance, and Information Technology teams, as outlined below.



As of 30-Jun-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 to engage with the rest of the investment team to ensure that all our investors have ownership of 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, one equity and one fixed income research analyst, as well as one fixed income research associate who are dedicated solely to ESG research and who have done much to advance our investment team's thinking on ESG topics. These individuals fulfill a critical role in facilitating our sustainability efforts. Their role 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. We currently have five individuals on this team responsible for carrying out our stewardship efforts, including individual and collective engagements, as well as exercising our proxy voting rights. We will continue to place a high priority on investing in our stewardship resources going forward.

Client sustainability strategy

We have seven people 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

We have two attorneys and one paralegal in our Legal Department who are dedicated to assessing and monitoring, and appropriately addressing, ESG and stewardship-related issues 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

We have implemented an agile ESG team within our IT department. As we continue to enhance our data and reporting capabilities, this team is strategically placed to help facilitate these efforts. These individuals will contribute to the development and enhancement of numerous ESG-related systems, as we continue to work to meet evolving regulatory requirements and client reporting demands.

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Sustainability Update

Second quarter 2023

During the second quarter of 2023, there were no substantial changes to our overarching sustainability and stewardship practices or policies.

Personnel changes

During the quarter, we added Bess Joffe to the client-facing sustainability strategy team as a lead strategist. Bess has over ten years of industry experience in senior roles at both institutional investors and corporates.

We also added Corey Bradley to our compliance and legal team as a lead specialist. Corey will help to develop and maintain the global ESG compliance program relating to MFS' investment, distribution and corporate activities.

Industry initiatives

MFS conducted its first engagement as part of the Principles for Responsible Investment (PRI's) Advance Initiative which focuses on understanding and evaluating human rights risks within corporates and their supply chains. We began our engagement with a large-cap mining company this quarter. Our investor engagement group, along with the company, discussed public human rights policy, the role of governments in facilitating a "just transition," the development and implementation of a tiered risk ranging procedure for different jurisdictions and the potential for adopting human rights reporting standards with quantitative metrics.

MFS was selected to be a part of the PRI in Person Signatory Advisory Committee (PIPSAC) with the goal of consulting on the agenda for the 2023 PRI in-person conference, which will be held in Tokyo, Japan. We have a long-standing and productive relationship with the PRI and believe that our investment insights and materiality-focused ESG philosophy will be value additive to the PRI in its 2023 agenda development.

We remain guided by the overall principle that voting decisions are made in what we believe to be in the best long-term economic interests of our clients.

Stewardship at MFS

We believe open communication with companies and issuers is an important aspect of our ownership. We also believe this approach, which we would characterize as collaborative, materiality oriented and issuer focused, 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 collaboration among all members of our investment platform, including our stewardship team. Our engagements take place consistently, in different forms, often involving dialogue with company management, formal letters, ESG-focused board meetings and more. Engagements are conducted

- solely by members of our investment and stewardship team and
- in collaboration with other industry participants.

We believe that collaborative 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 and coordinate collaborative engagement on ESG topics, including the Principles for Responsible Investment (PRI), the US Investor Stewardship Group (ISG), the Workforce Disclosure Initiative (WDI), the CDP and the CDP Science Based Targets Campaign, Climate Action 100+ (CA100+) and Ceres. For example, the firm is an active participant in six CA100+ company engagements, and we are actively encouraging our portfolio companies to enhance disclosure and adopt best practices across ESG topics, such as by setting science-based emissions reduction targets, addressing modern slavery and forced labor and enhancing disclosure around employee management practices. We are also signatories of, and adhere to, the UK, Japan and Australia stewardship codes.

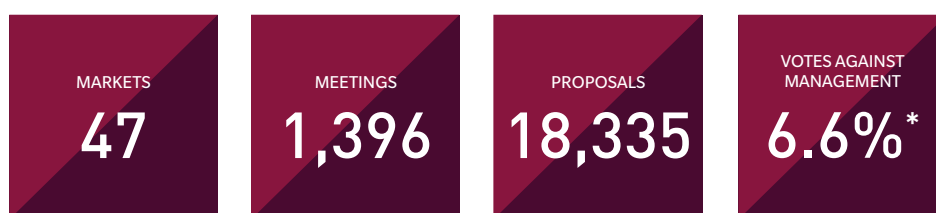
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Our approach is centered around two aims, which in many cases overlap:

1. Knowledge exchange and monitoring: We seek engagement opportunities to improve our understanding of investee companies, which makes for better investment decisions. By engaging with a company to achieve specific goals, we are improving our understanding of the material ESG risks it faces and sharing our own values and broader expectations.

2. Engagement with focus on real-world change: When necessary, we try to challenge issuers' behavior in relation to ESG considerations. We generally approach these engagements by setting specific objectives over the course of a specified period with the goal of influencing change in the real economy.

PROXY VOTING ACTIVITY



*Percentage of total votes. MFS voted against management on at least one ballot item at 38.9% of meetings during the quarter.

In the second quarter of 2023, the stewardship team participated in a busy proxy season for Northern Hemisphere markets. As such, many of our engagement discussions with companies focused directly on issues submitted for shareholder vote. These discussions are often continuations of longer-term dialogues, allowing us to engage in thoughtful and insightful discussions that help inform our analysis of specific voting items. Where relevant, we also sought to provide direct feedback and requests for improvement on key issues whether we voted against management or not.

We saw an increase in proposals requesting greater disclosures of lobbying and political activity. These proposals requested more robust reporting of climate-related lobbying activity and the issuance of political congruency reports that detail and explain discrepancies between a company's political activity—including campaign donations and the activity of trade associations that it belongs to—and its publicly stated objectives. Multiple discussions were held across our stewardship team, investment analysts, portfolio managers and the proxy voting committee to determine our stance on these votes in general and for specific cases.

The 2023 proxy season again saw a high number of climate-related proposals across sectors, reflecting shareholder interest in understanding how companies are assessing and managing the material risks associated with climate change and the low carbon transition. Given the case for support depended on the specific ask of the proposal and the company's targets and progress to date we evaluated these on a case-by-case basis using engagement to inform decisions where needed.

Proposals requesting companies appoint an independent chair of the board were also common and presented from a variety of proponents. Here we again assessed companies on a case-by-case basis, and conducted engagements based on what the stewardship and broader investment team believed was in the best long-term interest of shareholders.

Engagement with North American banks

During the quarter we engaged with several of the large North American banks to discuss board structure, composition and effectiveness as well executive compensation and shareholder proposals. We investigated the rationales for the latest board structure and nominees and why these were optimal for its effectiveness. We also investigated the approach to benchmarking, target setting and use of discretion in determining compensation awards. In 2023 large North American banks were again targets of many shareholder proposals on climate-related policy, human rights and diversity. The discussions also provided us with greater understanding of the banks' progress and plans in improving environmental and social performance and opportunities for further enhancements. This informed the case for which proposals warranted support and which did not. We also identified areas that we will continue to monitor and consider again in advance of future votes.

Representative Engagement Activity

Equifax Inc

American multinational consumer credit reporting agency

Sector: Industrials

Industry: Professional Services

Date: May 2023

Participants: Stewardship Team, portfolio managers, research analysis



THIS CREATED A DIALOGUE THAT LED TO FURTHER CANDID ENGAGEMENT

In April, ahead of the company’s upcoming AGM, we had a call with members of the Equifax governance and executive teams, including the Chair of the board. Topics of discussion focused on updates to the company’s board composition, as well as proposed changes to the company’s executive compensation structure. As part of our review of the company’s executive compensation plan, we raised concerns with the one-time special equity retention grant awarded to the CEO, which we felt was excessive in magnitude and lacked rigorous performance and vesting conditions. As a result of our concerns with the retention award granted to the CEO, we determined that a vote Against the proposal was appropriate.

This created a dialogue that led to further candid engagements with the company, in which we provided suggestions on enhancements & modifications to the compensation plan, which included strengthening the performance metrics that underpin the award and lengthening the vesting period for the achievement of the award by a few years. We plan to continue engaging with the company more frequently as it navigates important next steps in its management and governance initiatives.

Experian PLC

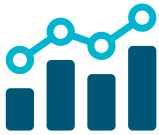
Multinational data analytics and consumer credit reporting company

Sector: Industrials

Industry: Information Technology

Date: April 2023

Participants: Research analyst



THE COMPANY IS ALSO EXPLORING "SOCIAL INCLUSION" AND "CONSUMER FINANCIAL WELLBEING" AS AVENUES FOR FUTURE ESG METRICS

We had a call with Experian to discuss the potential introduction of reporting on ESG metrics in the future. This was following a letter the company sent elaborating on the path it might take, which we found a thoughtful approach. In our view, the board of Experian had spent time thinking about the materiality of ESG factors on the business' long-term financial outcomes and was focused on introducing ESG-focused compensation incentives that would align executive decision-making with long-term shareholder interests.

The company is also exploring "social inclusion" and "consumer financial wellbeing" as avenues for future ESG metrics. In our view, this makes sense as credit bureaus play an important role in the credit ecosystem and can help people get access to better and cheaper loans to realize their personal and professional goals, with potential positive social outcomes.

United Parcel Service

American multinational shipping company

Sector: Industrials

Industry: Air Freight and Logistics

Date: April 2023

Participants: Stewardship team, portfolio managers, research analysts



WE WILL CONTINUE TO ENGAGE WITH THE COMPANY ON ITS DECARBONIZATION EFFORTS AND HOW THEY ARE INVESTING IN SOLUTIONS DEVELOPMENT

We had an engagement call with UPS where we discussed topics such as the upcoming labor negotiations, employee health and safety, turnover, executive compensation and climate goals. Concerns included steadily increasing reportable incidents and lost time injury numbers, as well as the absolute number of fatalities. We expressed our desire to see a safety metric within the executive compensation incentive plans. We were pleased to hear from company leadership that they are increasing training and monitoring employees in the first 90 days of service, as this is where most of the injuries are concentrated. We feel that this is positive progress, and we will continue to engage around this issue.

In addition, we discussed UPS's commitment to being carbon neutral by 2050, including scope 3 but absent an interim science-based target. Unfortunately, their biggest emissions contributor is jet fuel, and there is no current path to a linear reduction in emissions with current Sustainable Aviation Fuels (SAF) technology. However, we will continue to engage with the company on its decarbonization efforts and how they are investing in solutions development.



IG Group

Online trading company

Sector: Financials

Industry: Capital Markets

Date: June 2023

Participants: Stewardship team, research analysts



IG GROUP INTRODUCED SEVERAL "ADDITIONAL SAFEGUARDS"

Earlier in the year we had a discussion with and provided feedback to IG Group on potential changes to their executive remuneration policy. We opposed the introduction of a 'revenue diversification' metric, preferring instead the introduction of return on capital. During the quarter, we had a follow-up discussion with the company after it made changes to the original proposal. To assuage concerns around the revenue diversification metric, IG Group introduced several "additional safeguards" around the metric to ensure that growth through diversification is not at the expense of long-term profit margins or earnings, and the weight of the metric in the plan was reduced. Though the latest proposal is an improvement and shows responsiveness to shareholder concerns we will monitor the application of this metric in future award cycles and engage for further change if required.



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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