

**MFS Investment Management Company (Lux) S.à r.l. ("MFS Lux"), a subsidiary of Massachusetts Financial Services Company and part of the MFS group of companies that collaborate to provide investment management services on a global basis (collectively "MFS"), serves as the management company to the MFS Meridian Funds and MFS Investment Funds (the "Funds") and provides portfolio management services to institutional clients.<sup>1</sup> In this capacity, we are pleased to provide information relating to the integration of environmental, social and governance ("ESG") factors, including sustainability risks, in our investment process and remuneration practices, and the consideration of principal adverse impacts of investment decisions on sustainability factors, as required under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR").<sup>2</sup> As explained below, within the MFS global investment and research platform, MFS integrates ESG factors, including sustainability risks, into our fundamental investment process and ownership practices to the extent we believe that such factors could materially impact the economic value of a company.**

## Contents

1. **MFS Approach to Responsible Investing and ESG Integration**
2. **Governance and Oversight**
3. **Incorporation of ESG Factors, including Sustainability Risks, into MFS' Investment Analysis**
4. **Strategies Classified as Article 8 under SFDR**
5. **Incorporation of ESG Factors, including Sustainability Risks, into MFS' Ownership and Engagement Practices**
  - 5.1 Proxy Voting and Reporting
  - 5.2 Engagement Activities
  - 5.3 Collaborative Efforts
6. **Incorporation of ESG Factors, including Sustainability Risks, into MFS' Remuneration Practices**
7. **Consideration of Principal Adverse Impacts**

## **1. MFS Approach to Responsible Investing and ESG Integration**

At MFS, our core purpose is to create value responsibly through the integration of ESG factors, including sustainability risks, into our investment decision making process and ownership practices where we consider such factors and risks to be financially material. The MFS Policy on Responsible Investing and Engagement sets out the framework for how we integrate ESG factors including sustainability risks. It applies across our fundamental equity and fixed income investment strategies and guides our engagement with issuers. The MFS Policy on Responsible Investing and Engagement applies to all MFS entities including MFS Lux and has been in effect since 2009. We believe that this global approach ensures consistency in, and demonstrates our commitment to, the integration of ESG factors, including sustainability risks, in our investment process and ownership practices.

<sup>1</sup> MFS (Lux) is authorized as a management company under EU Directive 2009/65/EC, as amended, by the Luxembourg Commission de Surveillance du Secteur ("CSSF").

<sup>2</sup> The contents of this documents are intended to satisfy MFS (Lux)'s public disclosure requirements set out in Article 3, Article 4, and Article 5 of SFDR.

## 2. Governance and Oversight

In 2022, MFS enhanced its global leadership and oversight framework that facilitates the incorporation of ESG factors into our investment process and ownership practices.

The **Sustainability Executive Group (SEG)** is responsible for providing strategic leadership concerning MFS' sustainability strategy. It meets regularly to develop long-term sustainability strategy, including climate change related issues; advise on and coordinate the implementation of that strategy; and resolve any issues of prioritization and resource allocation for sustainability-related projects. The membership of SEG includes MFS senior leadership.

The **Investment Sustainability Committee (ISC)** is responsible for ensuring that the investment team is properly integrating ESG factors into its research and engagement activities. This committee will define and implement MFS' integration of ESG factors in the investment process, engagement with issuers and escalation activities, MFS' adherence to relevant stewardship codes, and MFS' membership in investment-led collective engagement groups.

The **Proxy Voting Committee** oversees our proxy voting activities, including the consideration of ESG issues when voting securities owned by our clients for which we have been delegated voting authority as well as our engagement with portfolio companies on proxy voting matters. The Proxy Voting Committee works with the ISC to create an integrated approach to setting engagement goals and priorities.

The **Corporate Sustainability Committee (CSC)** is accountable for coordinating MFS' ESG client and corporate strategies and policies to ensure consistency in interactions with clients on sustainability issues (e.g., reporting, regulation, and education), provide oversight of membership in client-focused collective engagement groups, and co-

ordinate corporate sustainability efforts.

## 3. Incorporation of ESG Factors, including Sustainability Risks, into MFS' Investment Analysis

At MFS, ESG factors, including sustainability risks, are integrated into our investment decision making process alongside traditional economic factors to the extent we believe that such factors and risks may be material to and have a long-term economic impact on a company's value.

MFS believes that certain ESG factors could materially impact the value of an issuer by representing a source of economic opportunity that contributes to an issuer's growth and outperformance relative to its peer group or a source of sustainability risk that could cause an actual or potential material negative impact on the long-term value of an investment. The universe of ESG opportunities and sustainability risks is very broad and may include, without limitation, physical and transitional impacts related to climate change, resource depletion, shifting market or consumer preferences or demand, a company's governance structure and practices, data protection and privacy issues, diversity and labor practices, and regulatory and reputational risks.

When integrating ESG factors into our investment process from both an opportunity and sustainability risk perspective, MFS investment professionals may use a variety of tools, including, but not limited to, (i) proprietary issuer and industry research, (ii) internally developed analytical tools designed to evaluate issuer performance and risk-exposure, and (iii) third-party generated issuer and industry research and ratings. Additionally, members of the investment team may consider a company's performance on specific ESG issues that more broadly impact a company's industry, sector and/or geographic region.

At MFS, we believe that a successful approach to

integrating ESG factors, including sustainability risks, requires that this analysis be embedded within our fundamental investment process, and, as such, we require that all of our investment professionals be responsible for its success. To further facilitate this adoption and to enhance our analytical capabilities, MFS has established dedicated ESG working groups to further support MFS' investment approach with respect to specific ESG topics:

- the **Climate Working Group** – develop frameworks to support the climate-related investment decision making and stewardship activities.
- the **Governance Working Group** – develop a set of governance principles for evaluating risks and opportunities for equity and fixed income investing.
- the **Societal Impact Working Group** – develop guidance that facilitates our investment decision-making and stewardship activity around social issues.
- the **Sovereign Risk Working Group** – engage the MFS investment professionals on evaluating country risk framework to support and enhance our investment decision making process.

MFS also employs research analysts who are ESG specialists with respect to specific asset classes and who provide support and strategic insight to advance our investment team's thinking on ESG topics.

## 4. Strategies Classified as Article 8 under SFDR

As of the date of this document, MFS has classified a range of the Funds' sub-funds as Article 8 under SFDR. Information on the Article 8 sub-funds including website disclosures are available at [meridian.mfs.com](https://meridian.mfs.com) (for the MFS Meridian Funds) and [fcp.mfs.com](https://fcp.mfs.com) (for the MFS Investment Funds).

Consideration will be given to the classification of

separate accounts managed by MFS (Lux) as Article 8 where requested by clients.

## 5. Incorporation of ESG Factors, including Sustainability Risks, into MFS' Ownership and Engagement Practices

### 5.1 Proxy Voting and Reporting

MFS has adopted proxy voting policies and procedures (“MFS Proxy Voting Policies and Procedures”) with respect to securities owned by MFS' clients for which MFS has been delegated voting authority. The exercise of voting rights is overseen by MFS' Proxy Voting Committee, and the MFS Proxy Voting Policies and Procedures contain guidelines that describe how MFS votes proxies with respect to certain issues, including ESG issues. All votes will be cast in the best long-term economic interest of a company's shareholders, with the understanding that ESG and broader stakeholder concerns often impact long term shareholder value.

### 5.2 Engagement Activities

Members of MFS' investment team raise ESG-related issues, including sustainability risks, during meetings with management of current or prospective portfolio companies where, based on their consideration, this may enhance their understanding of a company's practices and goals to enhance long term shareholder value. In certain instances, members of MFS' investment team may escalate an engagement with investee companies through appropriate measures, for example writing letters to the management team or the board of directors of portfolio companies, when they believe that such escalation is necessary to further an ESG-related issue that has not adequately been addressed through other engagement methods.

Members of the MFS Proxy Voting Committee or MFS stewardship personnel (embedded within MFS' investment team) will engage with a portfolio company when they

believe that such engagement may enhance understanding of certain ESG related matters, including sustainability risks, on the company's proxy statement or may effect positive change to the company's approach with respect to ESG matters. MFS personnel may engage with a portfolio company in advance of its formal proxy solicitation to discuss certain ESG related proposals and may also conduct such engagement in writing. Escalation of such engagement may include, but is not limited to, voting against the board of directors, voting against management proposals, supporting shareholder proposals, and increased dialogue with a company's management (either oral or written), including the board of directors.

MFS' investment personnel (including stewardship personnel) prioritize engagements based on a number of factors, such as the size of a holding and the financial materiality of the ESG-related issues that may impact the company.

### **5.3 Collaborative Efforts**

The Investment Sustainability Committee and/or the Proxy Voting Committee will assess whether MFS should participate in collaborative bodies or organizations or support various collaborative initiatives relating to sustainability, ESG issues, proxy voting or engagement (e.g., Principles for Responsible Investment).

MFS will report on its sustainability and engagement efforts and stewardship activities as required by any collaborative bodies or organizations which MFS joins, or regulatory body that governs MFS' activities. MFS may, in its discretion, share such reports with clients, prospective clients, and other interested parties. Further information on these activities is available at MFS' public website ([www.mfs.com](http://www.mfs.com)).

## **6. Incorporation of ESG Factors, including Sustainability Risks, into MFS' Remuneration Practices**

MFS Lux has implemented a remuneration policy, which describes MFS Lux's remuneration practices for certain employees that have a material impact on the risk profile of MFS Lux and/or the Funds or separate accounts managed by MFS Lux. Pursuant to MFS Lux's remuneration policy, and as required under SFDR, MFS includes, as a component of the variable remuneration paid to employees responsible for making investment decisions, the integration of ESG factors, including sustainability risks. Specifically, when determining such variable remuneration, the investment staff are evaluated on, among other factors, their consideration and communication of material ESG factors in forming opinions about long-term investment decisions.

## **7. Consideration of Principal Adverse Impacts**

MFS Lux will publish its annual statement on principal adverse impacts of investments decisions on sustainability factors by 30 June each year, for reporting period 1 January to 31 December.