



2022 MFS® Annual Sustainability Report

RESPONSIBLY
ACTIVE
FOR A
CENTURY

Click on the content headers below or on the tabs above to take you directly to the section.

/ TABLE OF CONTENTS /

4	Sustainability Overview
7	Our Approach to Sustainability
9	Resources and Governance
15	Exclusion, Divestment and Avoidance
16	Research and Investment Outcomes
17	Fundamental and Thematic Research
17	Working Groups
26	Sustainability in Fixed Income
29	ESG Data and Tools
33	Constructivism: A Collaborative Approach to Engagement
42	Update on Industry Initiatives
48	Proxy Voting: A Pillar of Stewardship
65	Client and Industry Alignment
66	Meeting Client Expectations and Incorporating Feedback
67	Firm-Wide Reporting
69	Assessing Effectiveness
70	Corporate Sustainability
71	Our Corporate Structure and Governance
72	Internal Sustainability Training
73	Diversity, Equity and Inclusion
76	Corporate Citizenship
77	Appendix, including full TCFD-aligned report



Letter from Michael Roberge



As I write, investors, companies and stakeholders alike are contending with broad market disruptions and systemic risks across multiple fronts. Navigating these issues will be complicated, and many of today's companies are likely to find themselves inadequately positioned for future success. To ensure stability in the face of uncertainty, we here at MFS® know we must cultivate resilience and agility in ourselves and the companies we invest in. In our 100-year history, we have learned that stability does not come from lack of

change, but from the ability to recognize and adapt to transformational forces with deep forethought. This is why we have always operated with a long-term focus.

Over the past year, questions have been raised about the efficacy of environmental, social and governmental (ESG) factors in the US market, with some states denouncing the consideration of ESG topics in investment research. At the same time, the SEC has been investigating greenwashing and suggesting more stringent rules in regard to ESG disclosures. In other global markets, we have seen a more aggressive regulatory environment in which investors have been required to disclose carbon emissions, release TCFD-aligned reports and provide proof of their stewardship activities.

At MFS, our research focuses exclusively on financial materiality and active ownership to fulfill our duty to clients as long-term stewards of capital. We have stayed true to this philosophy, and as a result, we have found ourselves well positioned to navigate these new regulations and other developments around the globe.

In 2022, after months of discussions among internal teams, industry groups and regulators, we released our targets as a part of our support of the Net Zero Asset

Managers Initiative. As of December 2022, we have 36 funds designated as Article 8 under the European Union's SFDR regulation. Both these milestones were achieved without taking an exclusionary or divestment approach. Moreover, our efforts were not driven by an ethical or political agenda but by the belief that these considerations will be financially material to the companies that we own and therefore will help us fulfill our duty to clients.

The industry's interpretation of sustainability is maturing, and the tide is turning on a few important fronts. Engagement-based approaches are increasingly seen as stronger forms of agency than exclusionary approaches. We are pleased to see the growing recognition that we cannot simply write off high-emitting industries. Instead, we need utility companies to green the electric grid, steel companies to transition to green steel and provide the materials for renewable power, mining companies to provide the materials for batteries and electric cars, and oil companies to use their infrastructure to support the energy transition.

In our 100-year history, we have learned that stability does not come from lack of change, but from the ability to recognize and adapt to transformational forces with deep forethought.

Through in-depth research and thoughtful issuer engagement, we will focus our efforts on ensuring the companies we invest in are well positioned to manage financially material risks while also taking advantage of the opportunities.

The only way to fulfill our core purpose of creating value responsibly for our clients is to do so with long-term conviction and open transparency. All market participants need to recognize that narrow measures of performance such as one-, three- and five-year benchmarks no longer demonstrate value sufficiently. If the investment industry is serious about adopting a long-term investment philosophy and better navigating full market cycles, we must all show evidence of it. Ultimately, we feel that to maintain the confidence of our clients and stakeholders as the industry continues to evolve, we must rethink with them how we collectively measure success.

We have crafted this report to underline our long-term, active mindset, which permeates every aspect of our business. We hope our message resonates and you are left with a strengthened sense of trust and partnership as we continue to address these important issues together.

Michael W. Roberge















Chair and Chief Executive Officer



/ ADHERENCE TO THE UK STEWARDSHIP CODE /

The UK Stewardship Code is a prominent standard that guides investors not only in the United Kingdom but around the world. Adherence to the code requires that we demonstrate how we are effective stewards of our clients' capital. In the spirit of deep integration, we have incorporated into this report our public response to the code.

The report and our approach to satisfying each of the principles under the code has been reviewed and approved by the MFS Investment Sustainability Committee. To find our response to each principle, see the table below. We have provided an icon to identify each principle and provided the page numbers on which you can see how we act in accordance with it.

PRINCIPLES OF THE UK STEWARDSHIP CODE	PRINCIPLE	PAGE
Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.		7-15, 33-39, 61-64, 67-69, 71, 78-93
Principle 2: Signatories' governance, resources and incentives support stewardship.		9-15, 17-18, 29-32, 59-60, 68, 71-76, 78-93, 95-103
Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.		48-58, 107-109
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.		19-27, 59-64, 78-93
Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.		17, 40-41, 48-58, 110-111
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.		40-41, 66-69
Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues and climate change, to fulfill their responsibilities.		7-15, 19-27, 44-47, 78-93
Principle 8: Signatories monitor and hold to account managers and/or service providers.		57, 112-113
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.		33-41, 116
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.		29-32, 35-39, 42-47, 67, 75, 78-93, 104-106
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.		33-39
Principle 12: Signatories actively exercise their rights and responsibilities.		48-58, 114-115

These icons are used throughout the document to demonstrate each principle, for more information about the UK Stewardship Code, please visit frc.org.uk/investors/uk-stewardship-code.

Sustainability Overview

This section gives a high-level overview of our approach to sustainability and the structures we have put in place to ensure our firm's goals are aligned with our core purpose: to create value responsibly for our clients.

Sustainability Overview

An aerial photograph of a deep fjord, likely in Norway, showing steep, rocky mountainsides and a narrow body of water winding through the valley. The sky is overcast with grey clouds.

Sustainability Overview

/ THE SUSTAINABLE INVESTING SPECTRUM /

Given the heightened interest in “doing good and doing well,” “double materiality” and similar themes across the investment industry, there is confusion over what an investment manager means when it uses the term sustainable investing and its variants. Regulators around the world are focused on this confusion and the potential for it to lead to mis-selling, greenwashing and investor harm. With that in mind, it is crucial that an investment manager clearly define its approach to sustainable investing and avoid any ambiguity.

In our view, the term sustainable investing commonly encompasses a wide spectrum of investing themes and approaches. Some approaches, such as ESG integration, ensure financially material environmental, social and governance factors are incorporated into investment decisions alongside all other material factors. Other approaches such as ethical investing or socially responsible investing (SRI) commonly adopt the use of positive and negative screening in a bid to channel investments to companies and issuers that meet predefined morally-based criteria while avoiding investments in certain business areas or business practices. Further along the spectrum is impact investing, which prioritizes achieving environmental and social objectives set by the asset owner alongside generating a financial return. The table on the following page is a useful representation of the range of approaches that fall under the umbrella term of sustainable investing.



	Traditional Investing	Sustainable Investing				Philanthropy
Approach		ESG Integration	Socially Responsible / Ethical Investing	Negative / Positive Screening	Impact Investing	
Method	Limited or no regard for environmental, social, governance and ethical factors in decision making	Incorporates ESG risks and opportunities into investment decisions	Channels investments to companies that meet pre-set material-based criteria while avoiding investments in certain business areas or business practices	Excluding/ Including certain sectors, companies or issues based on whether or not their activities are considered investible from the perspective of value alignment	Actively seeks to achieve positive environmental and social impacts while generating a financial return	Using grants to target positive social and environmental outcomes with no direct financial return
Objective	Delivers competitive financial returns					
	Manages ESG risk					
	Invests based on values alignment					
	Pursues impact opportunities					

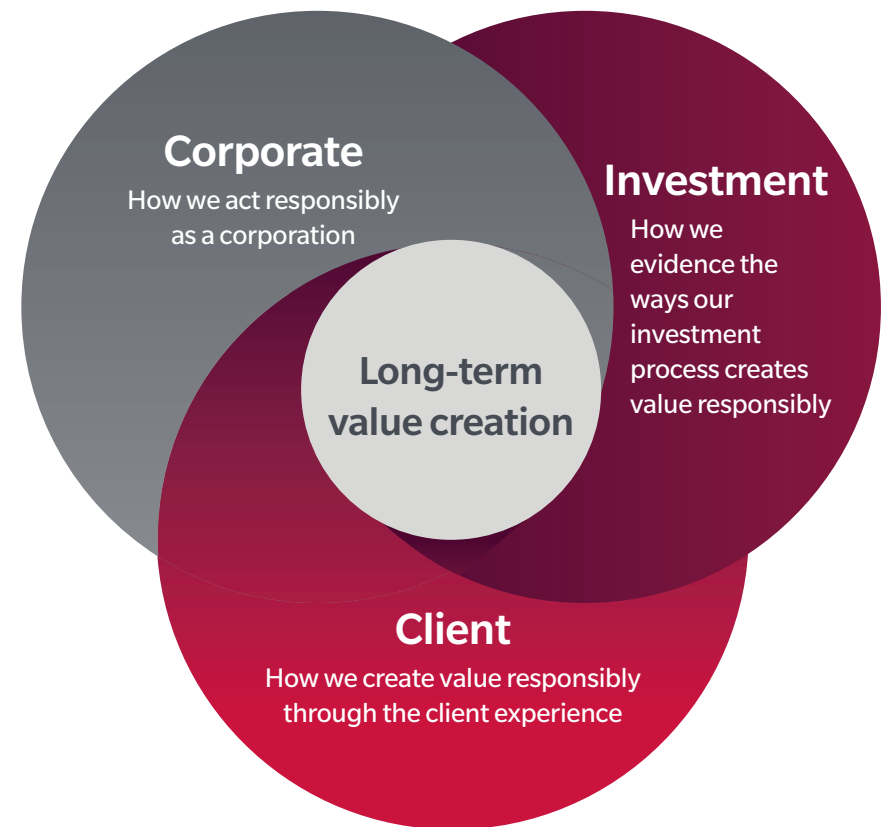
This spectrum has been adapted from frameworks developed by the ICI, the Responsible Investment Association Australasia, Bridges Fund Mgt, Sonen Capital & the Impact Management Project.

As this table illustrates, ESG integration is not separate or distinct from sustainable investing but exists within the spectrum of different approaches to it. Although it is difficult to succinctly define a term that encompasses such a broad range of concepts, we acknowledge that differing interpretations and definitions of sustainability exist. Of these, we believe the UN definition is particularly useful: “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” We believe that this definition aptly conveys one of the principles at the heart of our mission — creating long-term value for our clients.

Our Approach to Sustainability 1 7

MFS seeks to integrate material sustainability factors into the investment decisions made across all the portfolios that we manage. What does this mean? It means that in our fundamental research process, we take into account both traditional indicators of financial performance and environmental or social factors that we believe will substantially affect the ongoing valuation of the company or issuer. In addition, we consider the suitability and effectiveness of the governance structures of the companies in which we invest. We do this not as an additional consideration in our fundamental research process but as an integral element of what we believe fundamental research to be, because these factors can represent risks and opportunity that can, and frequently do, affect the value of securities we own on behalf of our clients.

We believe that research alone will not lead to the achievement of our clients' long-term investment objectives. To do so, it must be combined with thoughtful engagement with the companies and issuers in which we invest along with effective proxy voting. Hence, our philosophy on sustainability can be detected across our fundamental research, proxy voting and issuer engagement processes and has enabled us to consistently identify companies that we believe exhibit enduring competitive advantages and financial returns.



/ THREE PILLARS UNDERPIN OUR STRATEGIC APPROACH /

INVESTMENT

We have formally embedded sustainability topics into our investment process since 2009. Our work in this area is not outsourced or siloed. It is seamlessly integrated into our investment process because we believe that this is the best way to responsibly manage our clients' money and create long-term value. Systematically integrating sustainability factors into our investment process improves our understanding of what is, and what is not, priced into equity and fixed income valuations.

CLIENT

Creating value responsibly is critical to our license to operate in the future. We have a crucial opportunity to empower our clients so they can fulfill their fiduciary duties and better integrate sustainability into their own work and communications. We take this responsibility seriously and remain focused on serving the needs of our stakeholders.

CORPORATE

We manage our business the same way we invest: with a long-term focus. We aim to serve as exemplars to the businesses owned in our portfolios. Whether it's treating and compensating our employees fairly, advancing our diversity and inclusion efforts or reducing our long-term impact on the environment, we seek to be at the forefront of these issues and to consistently align our sustainability efforts with our purpose: creating long-term value for the clients and end investors we serve.



Resources and Governance

1 2 7

At MFS, it is our firm belief that a successful approach to sustainability cannot be accomplished by building a separate team. The groups described in this section provide strategic leadership and support the effective integration of sustainability across the firm, but they do not conduct all or even the majority of our research on these topics. The responsibility for sustainability-related research falls on our entire team of investment professionals around the globe, who are experts in the companies and issuers they cover. It is impossible to overstate the importance of this fact: sustainability must be handled by the same people who are making investment decisions all day long, not a siloed team.



/ SUSTAINABILITY GOVERNANCE STRUCTURE /

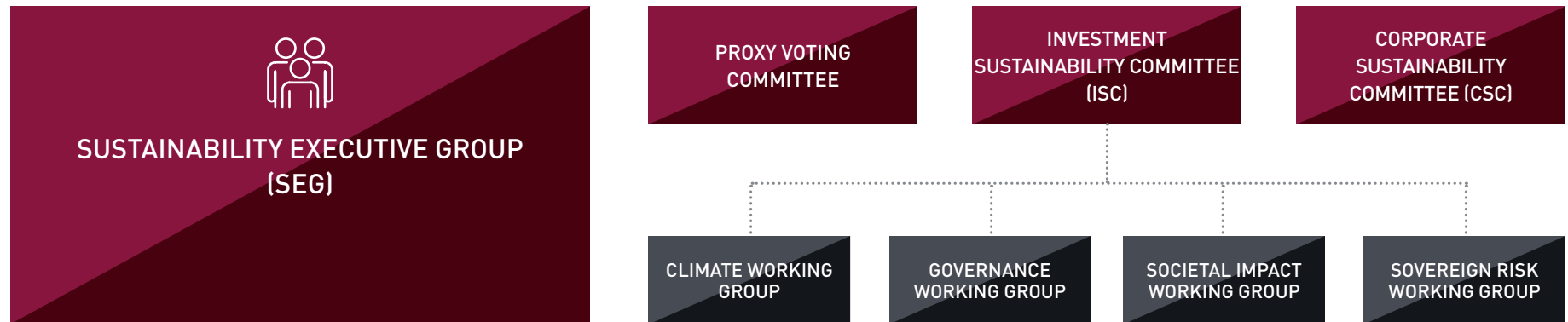
The MFS Sustainability Executive Group (SEG) provides strategic leadership concerning the firm’s sustainability strategy. It includes our chair and CEO, president, CIO, CSO, CTO, general counsel and other senior leaders responsible for the integration of sustainability across the firm. The SEG meets at least monthly to

- develop long-term sustainability strategy, including climate change-related issues
- advise on and coordinate the implementation of that strategy
- resolve any issues of prioritization and resource allocation for sustainability-related projects

The firm has also established committees and working groups that are a part of its existing committee governance structure and are devoted to the implementation of specific aspects of the strategy. They allow us to be agile and focus on key sustainability issues.

Overall, our approach to governance is designed to ensure that we remain focused and relevant on all matters of sustainability. It is also designed to reflect the three core pillars of our strategic response — investment, client and corporate.

MFS SUSTAINABILITY STRATEGY AND GOVERNANCE STRUCTURE



The Investment Sustainability Committee (ISC)

The ISC is accountable for defining and implementing MFS' strategy and policies relating to the integration of sustainability in the investment process, engagement with issuers and escalation activities, the firm's adherence to relevant stewardship codes (including the Australian, Japan and UK Stewardship codes) and MFS' membership in investment-led collective engagement groups.

The Proxy Voting Committee (PVC)

The PVC oversees the adoption and administration of the MFS Proxy Voting Policies and Procedures as well as our proxy voting activities. As part of its responsibilities, it works with the ISC to create an integrated approach to setting engagement goals and priorities.

The Corporate Sustainability Committee (CSC)

The CSC is accountable for defining and implementing MFS' sustainability client and corporate strategies and policies to ensure consistency in interactions with clients on sustainability issues (e.g., reporting, regulation and education), providing oversight of membership in client-focused collective engagement groups and coordinating corporate sustainability efforts.

Working groups

We have also embedded oversight and working groups in our investment process, namely the Climate Change Working Group, Societal Impact Working Group, Governance Working Group and Sovereign Risk Working Group. The task of these groups, among other things, is to encourage and evaluate progress made with respect to the integration of sustainability into the investment process.

/ STRENGTH IN COLLABORATION /

As mentioned above, it is our 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 involving different employees, inputs or outcomes. As such, our process requires that all our investment professionals are actively engaged in, and responsible for, its success.

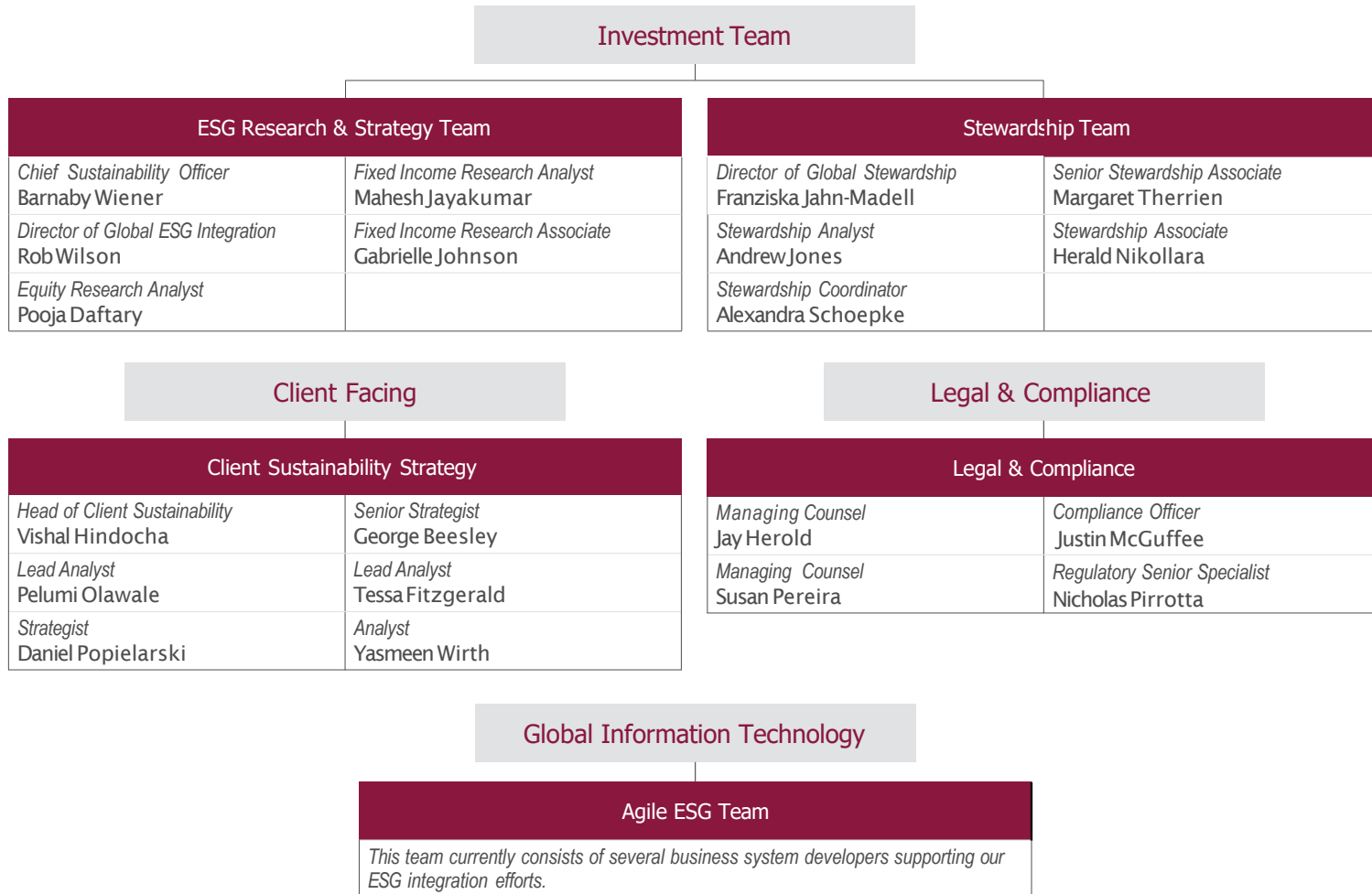
ESG integration across geographic regions, client types and asset classes

Our investment team operates on a global research and investment platform. Our investment decisions are rooted in collaboration and consensus across our globally located investment teams, and thus we manage our clients' assets the same way regardless of type, asset class or location. That said, we have investment personnel located in major financial centers all over the world. While our process remains consistent, this broad reach gives us the ability to dig deep into local issues and provide more insightful and better tailored research, which can be leveraged by our global investors.

Within our global research platform, we conduct high-quality, bottom-up analysis and engagement. We have over 300 investors in regions across the major markets in which we invest. This affords us the benefits of scale, allowing us to conduct thorough research into the companies we own using the diverse expertise of our platform to better help investees manage ESG risks and opportunities. Our fully integrated global research platform is the foundation of our investment process. We believe using a collaborative global structure to share and integrate information builds better insights for our clients. It allows us to look at viewpoints and opportunities from every angle and provides a global context for every decision.

Analysts are organized into eight global sector teams that include equity and fixed income analysts as well as fundamental and quantitative ones. These sector teams meet weekly on a formal basis. In addition, portfolio managers regularly attend these meetings to participate in the discussion. Each team is led by one or more sector leaders and covers a major sector (i.e., capital goods, consumer cyclicals, consumer staples, energy, financial services, health care, technology and telecom) from a worldwide perspective. This approach facilitates the sharing of information on companies and industries across fundamental and quantitative disciplines, geographic regions of the world, asset classes and capital market structures. Our ability to leverage all the proprietary research conducted by our analysts is a critical element of our ability to drive consistent long-term results for our clients. MFS research analysts and portfolio managers analyze and engage with management teams on ESG topics that may be material for the securities they cover or hold, which is why the majority of our ESG insights originate from our industry analysts and portfolio managers rather than our ESG analysts. Simultaneously, the investment team benefits from collaborating with our ESG specialists, who often provide new insights and differentiated perspectives on a wide variety of topics and securities. These collaborations support and enhance our ability to identify and assess ESG risks and opportunities.

Dedicated Sustainability Professionals



As of 31-Mar-23.

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.

Investment*

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 research and strategy team to engage with the rest of the investment team in order 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 these topics. These people fulfill a critical role in facilitating our sustainability efforts. However, they are not intended to be the source of all ESG research. Their role is to support and enhance the ongoing research into these 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 four people on this team responsible for carrying out our stewardship efforts, including individual and collective engagements as well as the exercise of our proxy voting rights. We will continue to prioritize investing in our stewardship resources going forward.

*Please note that as announced on March 2, 2023, Barnaby Wiener will retire from MFS and from his responsibilities as the firm's chief sustainability officer, effective April 30, 2024. Over the course of the next year, we will be preparing for the transition of leadership to Rob Wilson, who will become the new CSO. Rob has been instrumental in our hiring of other ESG integration specialists and is the firm's longest-serving ESG dedicated professional. In addition, in early 2023, we added a new stewardship coordinator to the team to help with engagement and proxy voting-related functions.

Client sustainability strategy

We have six people dedicated to engaging with our clients and the investment industry on material 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, sustainability 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 situated in our Compliance Department.

Information technology

We have assembled 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 this effort. Team members 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.

For the biographies of the team members referred to on page 12, please see Appendix 2.

/ PERFORMANCE EVALUATION AND COMPENSATION OF INVESTMENT PERSONNEL /

MFS' philosophy on compensation calls for us to align the compensation of investment personnel with the goal of providing shareholders with long-term value through a collaborative investment process. To achieve this, the firm believes that part of the compensation calculation should involve the degree to which personnel foster long-term investment performance and contribute to the overall investment process.

The compensation of investment personnel consists of a base salary and performance bonus, with the latter typically representing most of the total cash compensation and based upon quantitative and qualitative factors. The main quantitative factor is the pretax performance of accounts managed over a fixed period to assess performance over a full market cycle and a strategy's investment horizon. Qualitative factors, on the other hand, properly involve a person's contribution to the investment team's collaborative culture, including how well they consider and communicate material risks and opportunities. The qualitative portion of the team's compensation is based on the results of an annual 360 degree peer review process, as well as an assessment of the analyst's research processes. Sustainability is an explicit element of the qualitative assessment of performance alongside other factors such as teamwork, communication and collaboration throughout the investment process. The analysis of all material risks and opportunities is part of our investment process, and the long-term performance of each individual reflects this integration. It is our firm belief that each investor's ability to recognize and integrate material, long term factors into their investment analysis does and will continue to materially impact this aspect of each investor's compensation.

We believe that this overall approach, rooted in incentivizing long-term performance, collaboration and the consideration of all financially material factors, exemplifies the firm's prioritization of stewardship.

/ OUR VIEW ON EXCLUSIONS /

Given our investment principles, purpose-driven culture and fiduciary duty, we believe long-term engagement is likely to yield better real-world outcomes than divesting or excluding sectors and industries from a client's portfolio. We believe our clients are best served through long-term engagement and carefully considered proxy voting. We expect companies to be managed in the interest of longevity, not short-term profit maximization. We expect them to pay due care and attention to social and environmental externalities that could incur a material financial cost at some point down the line. As is true in all aspects of investing, we cannot simply avoid every material risk that may arise. Instead, we must focus our efforts on ensuring the companies we invest in are well positioned to manage those risks while also taking advantage of opportunities.

As active managers charged with being good stewards of our clients' capital, we avoid, engage with and divest from companies every day for a wide range of reasons that we believe may break or fulfill an investment thesis. We do this to accrete long-term value, and we believe an exclusion-based approach hinders our ability to uncover what we believe are the best investments for client portfolios.

However, when an engagement fails to generate improvements in the management of material issues, or at least allay concerns, we may adjust our modelling and valuation expectations and we may also reduce position size or divest entirely from a security. The decision to disinvest starts with a deep understanding of the topic, engagement with management and, depending on the outcome of that engagement, a potential adjustment to the investment view. This can result in the decision to add, maintain, reduce or even disinvest entirely. The time frame for this is company-specific, but in general, the more material the topic, the sooner we expect that it should be addressed.

/ EXCLUSION, DIVESTMENT AND AVOIDANCE /

Discussions around the concept of exclusion are nuanced, and we believe it is becoming increasingly important to distinguish three terms commonly used interchangeably.

Exclusion — Deciding, before doing any research or analysis, not to invest in certain sectors, companies, or projects due solely to a nonfinancial factor such as line of business, sector or industry, or a third-party ESG rating.

MFS does not implement exclusions or negative screens unless directed by a client to do so in a separate account or as required by regulations (e.g., cluster munitions in certain markets).

Divestment — The post investment elimination of an investment from a portfolio based on fundamental factors, which may include ESG factors.

Divestment can be driven by a change in any fundamental factor, not just ESG factors. Importantly, divestment is not permanent and is point-in-time activity based on our current financial analysis, making it different from exclusion. We may choose to later repurchase a company we have divested from should there be an improvement in material factors.

Avoidance — Refraining from making investment for fundamental reasons after analysis.

Avoidance is not permanent and is a point-in-time activity based on our current financial analysis, making it different from exclusion. We may choose to later purchase a company we have avoided if there is an improvement in material factors.



Research and Investment Outcomes

We have consistently and thoughtfully combined analytic, bottom-up and thematic research and systematic risk management with robust active ownership in making our investment decisions. Remaining committed to this process, we have presented an overview of our sustainability initiatives, research and stewardship activities throughout the year.

Research and Investment Outcomes



Research and Investment Outcomes

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/ FUNDAMENTAL AND THEMATIC RESEARCH /

In 2022, our investment team produced in-depth research on a variety of sustainability themes we believe to be financially material to the companies we own.

/ WORKING GROUPS /

In late 2020, we created four working groups within our investment team. We also created a Sustainable Investing Steering Group which has worked to enhance and promote the ongoing evaluation of sustainability topics in order to support the development of frameworks and processes that improve the effectiveness of our research and to also provide general guidance. The four working groups are composed of members from across the investment team and chaired by portfolio managers, whose objectives are described below.

- **Climate Working Group:** Support and enhance our climate-related investment decision-making and stewardship activities
- **Governance Working Group:** Assist in the team’s evaluation of governance risks and opportunities by offering frameworks for consideration by both equity and fixed income investments
- **Societal Impact Working Group:** Offer guidance that facilitates our investment decision-making and stewardship activity around social issues
- **Sovereign Working Group:** Engage the broader investment team around evaluating country risk through a sustainability lens and developing a sovereign risk framework to support and enhance our investment decision-making process

As mentioned earlier, we recognize that sustainability and stewardship are areas of ever-increasing complexity. For that reason, we believe our work in developing our stewardship efforts is never finished. However, throughout the year, our working groups have made strides in driving our stewardship goals across the firm. Described below are some highlights of the groups’ efforts in 2022.

Climate Working Group highlights

The group discussed particular areas of climate risk and action. Areas explored included how to prioritize focus research and engagement for first phase of moving toward our NZAM goals, expected environmental-related shareholder proposals in the upcoming proxy season, the merits of management-presented “Say on Climate” votes on transition plans and the MFS approach to informing the vote, areas of client interest and expectations, and climate data and tools for assessing company transition.

Climate scenario analysis

Our investment team has evaluated how different climate outcomes could impact certain companies. Importantly, however, climate scenario analyses are highly complex and require forecasts of various factors, such as commodity prices, mix shifts in various types of energy, market share changes at the industry and company level, and costs related to carbon taxes and regulations, among many other factors. We are in the process of evaluating various scenario analysis tools but feel their outputs have not led to additional insights beyond those already generated by our bottom-up fundamental research. This project will remain a priority into next year as we continue evaluating and assessing potential service providers.

For more information on this topic, please see our full Task Force on Climate-related Financial Disclosures (TCFD) report in Appendix 1.

Governance Working Group highlights

The MFS Governance Working Group developed tools to add nuance and support the practical application of its previously developed governance principles. A subgroup was formed to first look at board effectiveness and create an investor guidance that would enhance the investment process. Through internal discussion, literature review and consultation with board governance experts at selected companies, a board effectiveness framework was developed. Spanning governance principles including board culture, structure and oversight, the framework covers indicators of board effectiveness that can be identified through research along with additional insights that can be gained through engagement. It identifies potential indicators of good and poor board effectiveness.

Once developed, the framework was socialized across the investment team through dedicated discussions and is already being used to shape engagement agendas, assess governance risk and inform proxy voting policy. Importantly, however, the framework does not seek to drive each investor's evaluation of risk in this area. As mentioned above, issuer-specific details can never be set aside in favor of broad frameworks. Each investment decision is unique.

Societal Working Group highlights

The group used its meetings during the year to finalize our investment team's Societal Impact Principles. The underlying philosophy of these principles is that a company is more likely to maximize and sustain long-term growth if it takes care of its stakeholders, which includes its workforce, vendors, customers and communities, as well as its shareholders and bondholders.

In crafting the principles, our aim was to categorize the multitude of social issues of potential importance to our investment team. We felt that by defining our scope, our investment team would be able to approach those issues in a more nuanced and sophisticated manner. However, the principles were not designed to be prescriptive or limiting but rather to encourage broader thinking about the subject in a way that is not constrained by more traditional industry paradigms.

We recognize many companies are on a journey toward sustainability, and certain companies we own may not meet these principles as a result. Our goal is to determine which of these topics are most financially material for each company and to engage with companies that appear to be managing financially material risks poorly or failing to take advantage of the opportunities available to them.

/ THE SCOPE 3 DEBATE /

Scope 3 emissions have long been a hot topic within the sustainability space. As investors, emissions reporting plays a vital role in the transition away from carbon, and reporting on Scope 1 and 2 emissions is crucial, particularly in the context of the Paris Agreement and the world mobilizing around 2050 and interim targets. While there is a consensus around measuring and reporting these emissions, the shortcomings of Scope 3 emissions are obvious. For example, the data require many estimates, and there is substantial double-counting in Scope 3. Nevertheless, interest in the concept remains high.

As a result, our investment professionals have been focused on the topic and have been facilitating a deep dialogue with the broader team.

SCOPE 1 emissions	SCOPE 2 emissions	SCOPE 3 emissions
Direct emissions from sources owned or controlled by the organization	Indirect emissions from purchased heat, electricity and steam	All other indirect emissions that occur in a company's value chain

In our view, the primary goal of Scope 3 analysis is to avoid surprises resulting from suppliers passing higher energy- or emissions-related costs on to the companies we own. We also want to avoid supply chain business interruptions resulting from new regional laws or regulations, as well as decreased demand for products or services that lead to higher greenhouse gas emissions. Scope 3 disclosure may help companies and their investors in the following ways:

- Revealing GHG problem areas in the value chain, which will enable prioritization of risk mitigation efforts and enhance business resiliency
- Helping suppliers reduce costs through the improved efficiency of materials, resources and energy
- Identifying potential new business, product design or sourcing opportunities
- Enhancing corporate reputations and investor valuation

While there is often value in companies reporting and targeting reductions in Scope 3 emissions, we need to recognize that this information may not always be material or benefit shareholders and our clients. In those instances, we might choose to focus our questions elsewhere. For example, oil and gas producers have very large Scope 3 emissions (consumers and businesses heating their homes, driving cars, flying in planes, etc.), but we are currently uncomfortable asking these companies to report Scope 3 emissions for a number of reasons, including these two:

- Scope 3 data are unlikely to be useful in relative calls between oil and gas producers but likely to instead become fodder for negative media or political headlines.
- Company culture could be impacted by the publication of data documenting large Scope 3 emissions (which will dwarf Scope 1 and 2 emissions) by discouraging innovation, distracting teams endeavoring to reduce Scope 1 and 2 emissions and encouraging employees to leave the company or field.

In summary, Scope 3 disclosure from these companies may not provide investors any benefit and could increase risk. As a result, we have chosen to focus on talking to the companies about 1) their plans to move toward producing the lowest-cost, lowest-GHG barrels available and 2) how they are thinking about long-term demand for oil and gas, *i.e.*, leading up to 2050 and beyond. Engagement on these two topics is likely to be more interesting and fruitful for us, the companies we own and our clients.

Case study: American oil and gas company

Members of our investment team engaged in discussions with the CEO of a multinational oil company around the topic of Scope 3 emissions. The company's position was to not include Scope 3 emissions in their targets. We came to understand that it is Paris-aligned on Scope 1 and 2 and has an energy transition plan. The company expressed concern that focusing too heavily on Scope 3 emissions reductions could potentially be used in ways that are not in shareholders' best interests.

We expect companies to have a sound plan for dealing with the energy transition while reducing emissions over time. And we expect them to offer an attractive risk-adjusted return over our holding period, part of which includes returning cashflows to shareholders to mitigate the long-term terminal value risk of these businesses.

Overall, this company's net zero plans are sensible in our view, and their concerns around Scope 3 are valid. We had a constructive dialogue and will continue to maintain open lines of communication on this topic going forward.

Case study: Canadian mining company

Our investment team recently reevaluated the outlook of a Canadian extractives company owned in several of our equity and fixed income strategies. Previous significant governance issues negatively impacted our view of the company across strategies, and we minimized our exposure to the risks posed by these events. By 2021, with investigations by regulators reaching resolution, there was significant change in management and the board including the departure of long tenured executives.

There were also environmental and social concerns with the company operations. For example, the company had little in place regarding targets and strategies for addressing direct or product use carbon footprints. Rather than excluding the company based on its poor ESG profile, we engaged with a long-term focus to seek positive change in the company. We have been pleased to see the company's new management address multiple areas of concern. MFS' investment team saw an opportunity for the company to improve its ESG profile whilst increasingly playing an important role in supplying the metals and minerals needed for the energy transition, as well as interim energy needs.

Throughout 2022, we engaged with the company's new management team and board on governance and its low carbon transition strategy. Following document review, engagement and internal discussion we voted in support of the company's transition progress report. We wrote to the company setting out where the reporting fell short of providing the information needed to assess progress and plans and setting out our specific requests for future reports. The extent the company addresses these points will determine our vote decision on future reports.

The governance concerns that affected our valuation of the company have steadily improved over the past few years, and although legacy issues are still being concluded the new management has given a promising outlook for the future. Ethics and culture appear to be a greater part of governance and decision making and the company is committing significant resources to ensure new practices and goals are achieved. We will maintain caution and close monitoring until the company can demonstrate a multi-year track record on a new standard of governance and culture and adherence to their climate-related and social commitments.

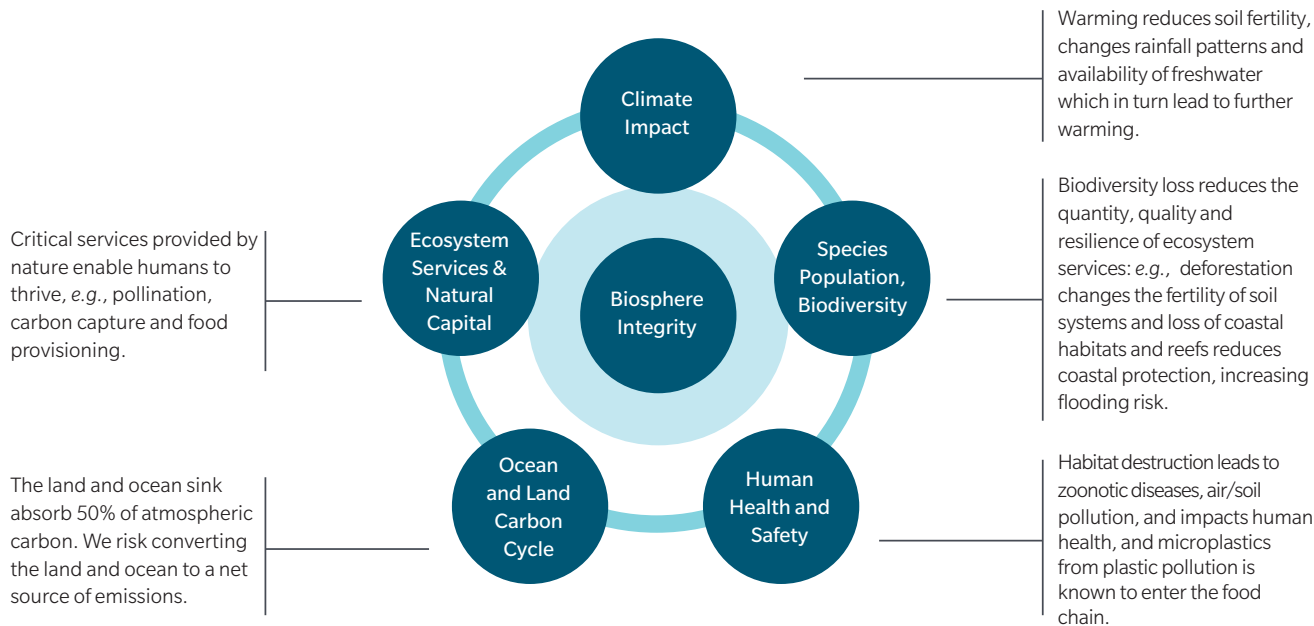
/ BIODIVERSITY AND NATURAL CAPITAL /

Biodiversity and natural capital are emerging areas that present risks and opportunities that we will continue to research and manage our exposure to. To date we have conducted research and had internal investment team discussions on palm oil-related deforestation and peatland burning, tailings management and water pollution. We also engage with portfolio companies on these topics if we feel the company is not managing this risk adequately.

Natural capital is worth considering in its own right, but its link to climate change makes it all the more important. In our view, we cannot realize the goals of the Paris Agreement without halting and indeed reversing nature loss. Land use and forestry changes (mainly agriculture and deforestation) amount to just under a quarter of human-caused greenhouse gas emissions. Forests and oceans currently absorb vast amounts of carbon dioxide. Oceans alone can now absorb around 25% to 30% of anthropogenic atmospheric carbon, but this is diminishing due to acidification, biodiversity loss and plastic pollution.

Our increasing understanding of the value derived from nature and our impact on it is another major driver. As we approach various tipping points, such as those relating to greenhouse gas emissions, biodiversity loss, novel entities and pollution, the impact of the impairment of natural capital becomes more important.

Exhibit 3: Natural Capital and Its Impacts on Biosphere Integrity



Source: Integrated Ocean Carbon Research available at <https://unesdoc.unesco.org/ark:/48223/pf0000376708>.

In response, we published a white paper which examines natural capital and how it, along with the ecosystem services it provides, poses a material systematic risk and at the same time presents opportunities in several key sectors. One of our key findings is that the impacts of natural capital risk are extremely complex, and there are serious analytical challenges in being able to determine winners or losers and even identify those most at risk. We believe that in order to do this well, we have to conduct granular bottom-up analysis. To build out a framework for our global platform of investment specialists to use, we began in the food sector by seeking the answer to questions such as those below in our own meetings and in meetings with relevant companies:

1. How dependent are the companies on commodities that have a high natural capital impact, and where in the supply chain does the impact occur?
2. What types of natural capital are most impacted, and how disruptive could the impact be?
3. What can companies do to reverse or remediate the impact?

As we continue to work through the details, we are learning a lot about how to think about these risks and opportunities and value them. We also participate in some industry collaborations on natural capital risks, including the Ceres Land Use and Climate Working Group.



Case study: American food and beverage company

During the year, we engaged in discussions with a food and beverage company about deforestation management. The Cerrado biome of Brazil is a critically important region for the climate, in which grain traders like this company have the potential to exert a strong influence over their suppliers such as soy farmers who are driving deforestation in the region. After several discussions with the company, we developed the view that while it has many targets in place and extensive coverage of this topic in its sustainability report, we do not believe that they are best-in-class in this area. During our discussions, they said they disagreed with certain findings and the underlying data of forward-thinking NGOs like Forest500 and TRACE. For example, the company claimed that despite soy continuing to expand in the Cerrado region every year, it is not the main driver of deforestation, even through indirect land use. Beef, not soy, is the problem, the company said.

We recognize that this company is thinking deeply about its deforestation efforts. However, as a shareholder, and given the importance of the topic, we were hoping to see company management become more willing to take on a forward-thinking, leadership role on these issues. Instead, we came away with the impression that they were reluctant to engage in conversation in a manner that is open and reflective. We will continue to make deforestation a key topic in future engagements.

/ CASE STUDIES – GENERAL INTEGRATION AND STEWARDSHIP EXAMPLES /

Case study: “Common prosperity” in China

One of our ESG-dedicated analysts gave an internal presentation about “common prosperity” in China. The phrase is a Communist Party slogan meaning the effort to bolster social and economic equality. The team’s presentation focused on the financial materiality of common prosperity, highlighting the emphasis on creating inclusive economic growth driven by domestic consumption. Other topics discussed included the difference between wealth and income inequality, labor market reforms, worker protests and social security and benefits. The team discussed where we might be exposed in some of these areas and provided an analysis of employee productivity versus wage growth for MFS-held securities. The team also went over potential risk factors for some of these securities, including high employee turnover, labor controversies and government subsidies. We will continue to stay abreast of common prosperity developments in the coming years.

Case study: American chemical company

Building on earlier thematic research on the future of packaging, our team has continued to research different packaging opportunities and recycling technology. As part of this research, we identified a chemical company that is aiming to develop molecular recycling capabilities at scale. The company has perfected this technology over decades in other use cases, which gives it a unique opportunity to help close the loop by making certain plastics infinitely recyclable in an energy efficient and environmentally friendly manner. This new opportunity was a key driver of our analyst’s decision to upgrade the stock to a buy, as consensus does not appear to be giving the company credit for the potential 20% long-term EBITDA lift from this revenue stream.

Case study: North American oil and gas companies

As our team continues to evaluate the energy transition, we have found investments in the oil and gas industry that we favor. More specifically, several of our strategies have invested in a US exploration and production company with assets in the Permian Basin in the United States. As a result of the company having some of the best US shale rock, potential long-term growth and a strong balance sheet, we expect the company to produce some of the cheapest oil with among the lowest emissions per barrel. Given this possibility of capital return to the business, we believe the company is a good investment for our clients. In spite of our decision to own this company, we are intentionally avoiding taking an excessively positive or negative view on the energy sector, instead focusing on individual fundamentals on the company level, as is our investment team's heritage. For example, one of our Canadian energy analysts recently downgraded several Canadian midstream companies on concerns regarding slowing growth and terminal value concerns related to the energy transition.

Case study: American real estate company

We spoke to a real estate company that owns and rents single family residential properties in the US. We have had social concerns regarding this company and its peers due to increasing residential home prices and rents in the US. Although the share of the housing stock owned by larger investors is small, the local press has shown interest in the many large investors in private equity, REIT and other asset classes who have started to invest more substantially in residential properties. In talking to the company, we were able to obtain data regarding customer and tenant satisfaction, which is extremely high. In addition, we were able to better understand the company's substantial new property development pipeline, which allows it to be part of the solution to the tight housing market. This company owns and manages the properties it builds, which creates the right incentives to build a high-quality home. After our engagement, the covering analyst maintained the buy rating on the company; however, his valuation was negatively impacted by the risk of a backlash against large investors owning US residential homes.

Investing in solution-based companies

We often look for companies that are capitalizing on the growing demand for "sustainable" and environmentally friendly solutions. As governments, businesses and consumers increasingly recognize the urgent need to address climate change and reduce their carbon footprint, we believe these companies are likely to experience steady growth and provide long-term value to investors.

Case study: Scottish engineering company

As a high-quality industrial company with a reasonable valuation, this company is owned in multiple equity portfolios. Its mining equipment, products and digital services — such as highly-efficient slurry pumps, ground engaging extraction tools or AI-driven rock sorting and predictive maintenance — help their customers to reduce both upstream and downstream emissions. Through conversations with the company's Chair and Chief Strategy and Sustainability Officer in 2022, our investment team learned that it has worked with its clients to drive several climate-focused initiatives. In July 2022, the company submitted decarbonization targets to SBTi aiming for a 30% reduction in absolute Scope 1 and Scope 2 emissions and 15% reduction in Scope 3 emissions by 2030. Scope 3 makes up 97% of its total emissions. In addition to setting these targets, the company has set strategies with its customers to help execute them.

The company is also working on Scope 4 (emissions avoided) reporting to demonstrate energy efficiency between its products and industry alternatives. In terms of R&D, the company is fully focused on mining, and spending has been focused on developing the most energy efficient solutions possible. These outlays have yielded promising outcomes so far.

Case study: French energy company

We believe this energy company is well positioned for the looming energy transition, with a business built around electrification, energy efficiency and automation. Its solutions allow customers to reduce their environmental footprint and improve operational efficiency while saving on energy costs. The company is also a market leader in regard to sustainability efforts, having set, monitored and regularly reported on its ambitious decarbonization targets. It has committed to carbon neutrality in its extended ecosystem by 2025 (recently brought forward from 2030), aims for net zero operational emissions by 2030 as part of the SBTi and is engaging with suppliers on a net zero supply chain by 2050. We have recently increased our position in the company, following recent discussions about its future prospects.

We believe that the increased demand for electric energy over the next few decades is likely to drive higher annual organic revenue growth than we have seen in the past. We also take comfort in the company's durable leading competitive positions (first or second in each category) in 80% of business and its trustworthy reputation among repeat customers.

Case study: Where we didn't get it right

Sustainability considerations are complex and nuanced, and it is important to understand the different dimensions and how they relate to each other as well as other financial factors. For example, environmental considerations can have significant social impacts, such as the displacement of communities due to climate change or the economic repercussions for areas dependent on fossil fuel extraction. Furthermore, the materiality of a given sustainability factor can vary based on the company's industry, geography or stakeholders. Stakeholders such as customers, employees and investors may also have different priorities when it comes to sustainability considerations, which can have varying effects on the financial aspects of these factors.

We highlight this nuance because investing is inherently difficult, and even the most skilled investors do not get it right every time. To illustrate this complexity, we share the following examples of where we didn't get it right and learned valuable lessons. We believe that this type of self-reflection will lead to better investment decision making in the future.

In 2021, we had serious concerns about the culture and work environment at an American software company. These concerns led our analyst to move from a buy to a hold rating and certain portfolio managers sold the stock. The company's next quarterly report justified our concerns, as the company's culture appeared to hurt its ability to deliver new titles on the timeline the market expected. This led the stock to fall substantially. Unfortunately, shortly after that event, a major technology company agreed to acquire the company. This example highlights that even being "right" about a financially material sustainability topic may not always mean you should sell or pass on a given security. Instead, to produce the best outcomes for our clients, we need to consider all fundamental factors together, attempting to not under- or overemphasize any factor.

Separately, we have been long-term owners of a German pharmaceutical company that manufactures health care and agricultural products. The company has faced severe controversy in regard to the health impacts of its chemical products, which the company began to manufacture after an acquisition. The acquired company faced several controversies, and our view upon acquisition was that the parent management team would be a more responsible owner of the new subsidiary's assets and products, some of which are highly sought after (*e.g.*, seeds that resist drought). Unfortunately, we did not appreciate the risks associated with litigation related to these products, in spite of deep ongoing research into the topic and the risk. Our expectation was that the legal risk would be smaller than it has proven to be and that other positive aspects of the business would offset it, which has not been the case so far. Again, this example highlights the complex nature of financial materiality, and the need to accurately account for all relevant fundamental factors.



/ SUSTAINABILITY IN FIXED INCOME /

We continued to focus on strengthening our integration frameworks for various fixed income subasset classes, including corporate debt, sovereign debt and US municipal subsovereign debt, among many others. Some examples of this work are described below.

Changing Views on Aerospace and Defense

European defense has historically suffered because it has been grouped with tarnished sectors such as gambling and tobacco, given the consensus view of what constitutes harmful and socially unsustainable activities. In most cases, these concerns were merited, given weapons manufacturers' close links to governments — including supplying dictators and rebels — along with their dependence on outdated environmental technology against a backdrop of weak governance and omnipresent bribery and corruption. As a result, aerospace and defense predictably ended up in an exclusion bucket for many investment managers as well as financial institutions across Europe.

The [European SRI Study 2018](#) found that for EU investors, 63.6% of European Union investors excluded “controversial weapons” and 45.7% excluded “all weapons.” However, after the invasion of Ukraine, early indications highlight a renewed attitude on defense, with signs of a more accommodative backdrop and initiatives to realign the security and defense “strategic compass” by 2030. Now that multiple countries, particularly in Europe, have pledged to increase their defense and military spending, some investors are starting to rethink their exclusionary approach on the defense sector.

Additionally, the aerospace and defense sector will continue to play an important role in protecting people and promoting prosperity — with certain long-term projects important in stimulating economic growth across many countries. The evolution of social arguments within sustainability communities has most recently led to European defense manufacturers becoming associated with promotion of the UN sustainability goal of “Peace, Justice and Strong Institutions” because they help defend the values of liberal democracies and provide an important deterrent in the effort to preserve peace and stability. However, transformation of governments will require many years (if not decades) to implement strategic resets on defense spending (if that is even possible).

For bondholders focused on financial materiality, sustainability cannot be considered an indicator of right or wrong — and binary EU social taxonomy inclusion or exclusion does not validate moral concerns or conclusions — therefore bottom-up assessment of issuers will remain essential in determining risk/reward for bond valuations.

Case study: European electronic systems and device manufacturer

As the Russian invasion of Ukraine gathered momentum in early April, one of our analysts reassessed our credit recommendations on a European electronic systems and device manufacturer for the defense sector alongside documenting a more nuanced longer-dated view on ESG within the sector. The company took steps to improve its credentials, especially given longstanding governance concerns over boardroom appointments, quantified objectives and long-term targets. Bonds performed well in 2022, with a backdrop of war supplemented by a deleveraging of balance sheet (via disposals) and an eventual credit rating upgrade.

The company has delivered on important milestones and appointments, including the appointment of a new chief sustainability officer and two new board members focusing on corporate development and social responsibility along with the implementation of new anticorruption practices. We believe management will help mitigate governance deficiencies, which, combined with strategic clarity, will improve decision making, so the company is no longer a concern from a sustainability standpoint. Given the economic changes for defense companies and improvements from a sustainability standpoint, we think the company can potentially perform well over the mid- to long-term.

/ ESG FACTORS IN PACKAGED FOODS /

During the year, members of our equity and fixed income teams collaborated on researching ESG factors relating to packaged food. Discussions centered around the prominent issues. Some examples are outlined in the table below.

Examples of ESG Considerations in Packaged Foods

Environmental	Social	Governance
<ul style="list-style-type: none"> · Water usage · Waste generation · Energy and carbon intensity of processes · Plastics and packaging costs and reputational risk 	<ul style="list-style-type: none"> · Product quality and safety · Supply chain risks · Human capital consideration · Cybersecurity 	<ul style="list-style-type: none"> · Board management · Business ethics · Emerging regulation

A key component of these discussions included devising a set of engagement questions to ask companies to use in future joint engagements. Broadly, the questions are designed to gather more detail on the topics listed above, although they are intended to serve as a guiding framework for discussion, not a rigid checklist.

The team also looked across a variety of companies held in our portfolios to identify potentially notable information to help deepen the team's research and engagement efforts, including

- An overview of the carbon emissions intensity of meat production companies in comparison to pure play snacks, cereals and confectionary and other products
- The companies that have set or commitment to SBTi targets
- The water reduction programs of these companies
- Examples of RepRisk reports for select companies that highlight the types of differences in geographic exposure and base input commodities that can cause controversies

The purpose of this collaboration between our equity and fixed income teams was to deepen the team’s understanding of ESG issues in this industry and to strengthen research and engagement efforts from both an equity and fixed income perspective. The team will continue to collaborate on this topic in the coming years.

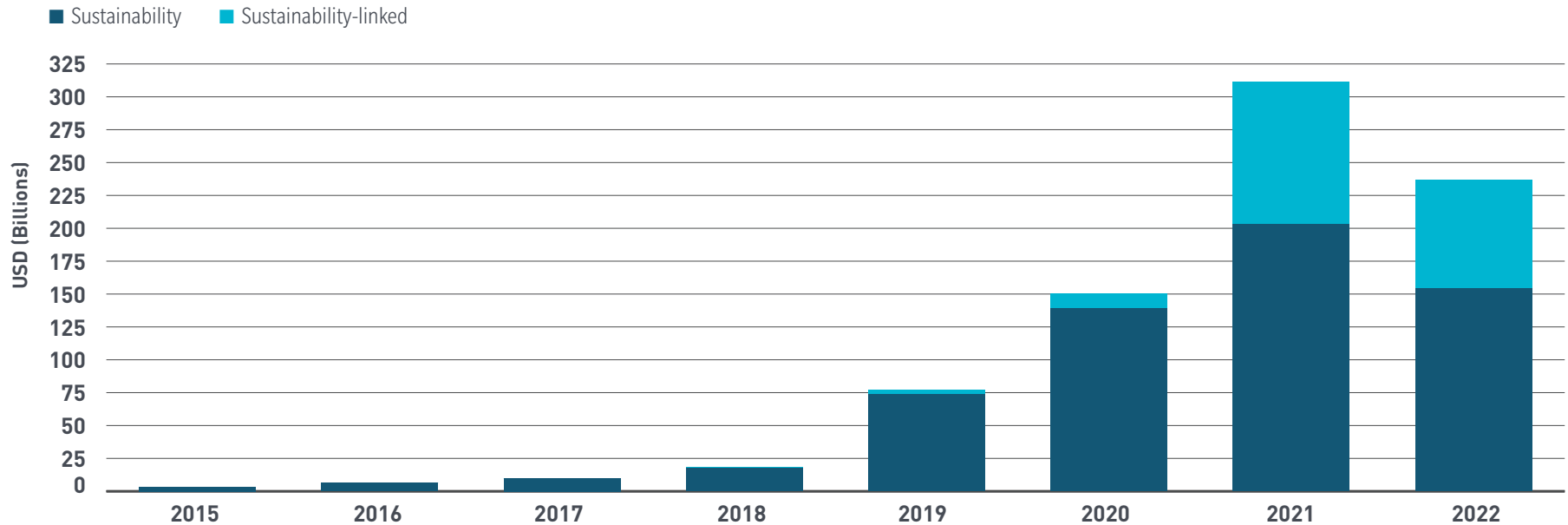
Sustainability-Themed Bonds

We continue to own sustainable debt across mainstream portfolios, including green, social, sustainability and sustainability-linked bonds.

We purchase green bonds because we believe they represent strong investments for our clients from a risk/return standpoint. Due to the conditions of the bond market in 2022, we spent less on themed bonds than in prior years. However, our exposure to them as a percentage of our overall AUM remained stable when compared to 2021.

In terms of overall issuance, sustainable debt issuance hit \$1.5 trillion in 2022 — its first-ever year-on-year drop. This was due in large part to poor macroeconomic conditions, but broader backlashes over greenwashing also tanked supply and demand.

Annual Issuance of Sustainability and Sustainability-Linked Bonds



Source: Bloomberg. Green bonds are specifically earmarked to raise money for climate and environmental projects. Social bonds are dedicated to funding social projects or activities that have a positive impact on individuals, communities or society. Sustainability bonds are bonds the proceeds of which are exclusively applied to financing or refinancing a combination of both green and social projects. Sustainability-linked bonds are a fixed income instrument the financial and/or structural characteristics of which are tied to predefined sustainability or ESG objectives. The objectives are measured through predefined Key Performance Indicators and evaluated against predefined Sustainability Performance Targets.

Municipal debt

Given our close relationship with the PRI, members of our municipal fixed income research team and our fixed income ESG analyst served on its Sub-Sovereign Debt Advisory Committee. The committee’s research and deliberations led to the release of an inaugural report on ESG integration guidance for US municipal bonds. The project began in late 2020, and the report was published in July 2021. In 2022, we continued our participation in this committee and collaborated on the second iteration of this report, titled “*The Thematic ESG Approach in US Municipal Bonds.*” The report highlights the tailwinds that support municipal bond investors’ adoption of a thematic ESG approach and the ways in which both labelled and unlabelled municipal bonds can contribute to “sustainability” outcomes. It also covers the state of the labelled municipal bond market and the need for investors to perform due diligence on labelled and unlabelled bonds.

/ ESG DATA AND TOOLS / 2 7

Sustainability issues are complex, interconnected and evolving too quickly for a single rating or data point to reflect the full extent of sustainability-related risks and opportunities facing a company or investment. There are still many inadequacies when it comes to the availability and comparability of ESG data, which is one reason we believe there is no substitute for in-depth issuer analysis. The assessment of materiality cannot be automated.

The availability, quality, consistency and comparability of ESG data is improving but started out poor. So far, we have not been able to identify any provider with good data on all material ESG considerations that we wish to consider. Therefore, we have chosen to take a best-of-breed approach — seeking to identify and acquire the best-in-class data on an issue. As a result, MFS draws data from numerous third-party ESG data providers and a diverse group of nongovernmental and other organizations. These organizations provide ESG-related data, company and issuer analysis and ratings, and sector and country analysis. MFS also receives research support from a large and growing number of sell-side ESG investment analysts.

Tools Used by MFS

Tool	E	S	G	Overview
MSCI-ESG Research	✓	✓	✓	Broad-based provider of ESG metrics and provider of aggregated scores. We use this underlying data as an input into our fundamental research.
Sustainalytics	✓	✓	✓	Broad-based provider of ESG metrics and provider of aggregated scores.
S&P/Trucost	✓			Widely recognized as a market leader in providing carbon emissions data on companies and issuers. We currently have data from TruCost feeding into our research notes and use their data in the ESG Dashboard.
Refinitiv	✓	✓	✓	Broad-based provider of ESG metrics, similar to MSCI and Sustainalytics. Part of the Reuters family and therefore combines ESG disclosure and metrics with real-time news flow on stocks.
RepRisk	✓	✓	✓	Uses a quant or AI approach in scoring ESG risks. It is a controversy aggregator with broad coverage.
ISS	✓	✓	✓	Provides quality ESG data used in our proxy voting process.
Glass Lewis	✓	✓	✓	Provides ESG data used in our proxy voting process.
Bloomberg		✓		Has higher-quality social metrics (such as worker safety and employee turnover) than many other broad providers and has more for fixed income investors.
RisQ	✓	✓	✓	Provides ESG data for municipal bonds.
Clarity AI	✓	✓	✓	Primarily aimed at ESG reporting for clients and regulators; provides off-the-shelf reports on regulations such as SFDR and the EU taxonomy; offers ESG “scores” and some raw data.

/ ESG DATA HUB /

To house our proprietary ESG research and relevant third-party data, MFS maintains easily accessible, issuer-specific ESG data hubs within our investment research system. Our team can access a wide range of data and reports from a centralized location, making it a powerful ESG research tool.

MFS
Engage
MSCI
Trucost
ISS
RepRisk
Working Groups

Centralized location for both internal and external research

Links to relevant research notes written by equity, fixed income and ESG analysts

RATING	PRICE	SUBJECT	ANALYST	DATE
Notes: 11/01/2020 to Present <i>Company rating, pricing and note subjects removed for display purposes</i>			Slingsby, Benjamin	1/14/22
			Wilson, Robert	10/11/21
			Slingsby, Benjamin	8/6/21
			Jassur, Lior	7/1/21
			Slingsby, Benjamin	5/7/21
			Slingsby, Benjamin	1/27/21
			Slingsby, Benjamin	11/10/20

Sector Map: Textiles, Apparel & Luxury Goods Industry ■ Higher risk ■ Moderate/Tail risk

TOPIC	MFS COMMENTARY	MANAGEMENT QUESTIONS
Income Inequality/ Labor Practices	Summary: Society's growing focus on inequality could increase labor costs for these companies, which often offer their front line employees near-minimum-wage pay with limited or no benefits. Metrics: Employee turnover, CEO: Median employee pay gap, Glassdoor ratings, average pay of front line worker, % of front line workers who receive benefits (healthcare, insurance, paid vacation and sick leave, overtime pay), % of workers that are part time vs. full time and difference in benefits, Safety metrics such as injury rates and insurance policy for workplace accidents, fatalities, freedom of association/unionization.	Have you estimated a living wage for majority of your employees and how do you compare that vs. minimum wage? What are your targets for reaching a living wage over a 3 and 5 year period? Do you have a comprehensive employee survey and if so, what are the 3 major focus areas? Is there a material difference between full time and part time salaries and benefits and do you expect regulators to move towards closing that gap? How do you think about managing or flexing labor costs through a restructuring or slowdown? How flexible is your labor cost base, and how sustainable do you think this strategy is over the long term?
Sustainable Sourcing of Raw Materials	Summary: The pressure to source materials responsibly and clearly audit the supply chain for compliance is increasing. Quality companies understand the reasons behind sustainable sourcing and set targets to increase the % of goods they source sustainably. Metrics: Tier 1, 2 & 3 Supplier Audits all the way to farm/mine level. % of raw materials sustainably sourced and certified by a third party. Knowthechain rankings.	Can you outline your policies on sustainable sourcing and auditing of raw materials? Do you audit all three tiers of suppliers all the way to source? Do you report on the number of audit violations every year and remediation results? Do you disclose the name of all suppliers publicly? What third party certifications do you rely on to ensure sustainability compliance?
Supply Chain Mgmt & Modern Slavery	Summary: Supply chains are an increasing source of operational & reputational risk in these industries. Firms should outline unacceptable supplier practices (e.g. forced labor and/or overtime) and develop rigorous audit practices to uncover and correct non-compliance. Best practice also includes supplier transparency (publicly listing all suppliers) and offering long term contracts to suppliers to drive safety investments & living wages. Metrics: % of Tier 1,2 and 3 suppliers that are audited, reported number and type of labor code violations and specific remediation measures taken, % of suppliers committed to paying a living wage, % of supply chain that receives consistent training on labor mgmt and modern slavery.	What business/operational risk does modern slavery in the supply chain pose to your business and how are you working to eradicate it? What technological investments are you making to increase transparency within your supply chain? Does the board and C-Suite weigh in on supply chain labor management and if not then which group in the organization does so? What remediation action do you take when you find labor rights violations within the supply chain?

Notes written by our analysts and portfolio managers that address relevant ESG issues are automatically linked, enabling the broader team to quickly identify and evaluate internal viewpoints on material ESG factors impacting the issuers they cover or hold in a portfolio. We are also able to highlight when a research note is ESG focused or contains information about an engagement.

Each company ESG page also displays our proprietary ESG sector map for the relevant industry. MFS' sector maps outline the key environmental and social issues we believe are material to the industry and subindustry in which a company operates. Each topic shown

on a company's map includes an assessment of the magnitude of the risk or opportunity, an overview of the topic (including key data points to analyze) and potential questions.

In addition to having access to the ESG hubs, our investment team can make use of an ESG dashboard that provides a wide variety of up-to-the-minute third-party data and insights for multiple issuers. This includes data associated with emissions, water usage, diversity, injury rates, employee attrition, data security, bribery and corruption practices, executive compensation, audit quality, controversies and much more.

Use of third-party ratings

Many asset managers overrely on third-party ESG ratings. ESG is by its nature subjective and often involves considering risks or opportunities that are intangible and hard to measure. This leads us to conclude that weighing the risks facing an individual company (be they financial or nonfinancial) is very difficult to do accurately using the one-size-fits-all approach that the credit rating agencies must take.

In our view, most ESG ratings providers generally employ a single-score approach (i.e., assigning a security or fund a rating), and the methodology by which this score is determined varies. Standardized data on E, S and G factors are harder to get than traditional financial metrics. Providers may use different data sources as inputs into their rating, which can result in varying outlooks for a company across ratings providers. It is difficult to accurately use the one-size-fits-all approach most ratings providers employ when evaluating securities or funds. As such, we consider the perspectives of multiple ratings providers in order to collate a more holistic view of a company, but we are careful not to overrely on them in our research process.

Case study: United Kingdom real estate investment trust

We recently engaged with a REIT regarding its MSCI controversy score of 6 (out of 10).

Upon further investigation, we learned that the company had only one controversy listed by MSCI. This related to a proposed new development for Amazon in France which was blocked by activists, whose primary motivation appears to have been stopping the expansion of Amazon, but one of their objections was on environmental grounds (destruction of wetland habitat) — which was what was picked up by MSCI. This was just 1 of the 11 reasons the initial planning application was rejected. Ten were subsequently overturned on appeal (including the environmental one). We learned that the remaining point was purely procedural, as the company had applied for the building permit before land rezoning had been confirmed. The company expects to receive permission when the application is resubmitted. In light of this, there was no indication that the company destroyed wetlands without the necessary permits or acted in any way contrary to the law. This instance was a key example of the issues that can sometimes arise from external ratings and the limitations associated with taking ESG ratings at face value. When we raised the issue to the company, it was not even aware that this event was listed as a controversy and reached out to MSCI to resolve the matter.

/ UPDATES FROM 2022 /

Given the importance of using transparent, reliable and accurate ESG data, our investment team is reaching out to our data providers at least annually to ask about various data points and their accuracy, suggest improvements and evaluate other providers for data we feel is not sufficient from an existing provider. We also seek out new providers we feel will enrich our research and expand our reporting capabilities and evaluate them on a case-by-case basis. We onboarded several data providers, notably Clarity AI, to help meet our regulatory and client reporting requirements.

Engagement dashboard

In 2021, we completed the initial development of our proprietary engagement platform. The platform is housed within our existing research database and augments the investment team's ability to capture, track and collaborate on ongoing engagements with company management teams. Last year, we continued to build it out, focusing heavily on implementing proper usage processes. We made several enhancements to the way engagement data is tracked, displayed and stored and continue to focus on reconciling our broader research notes with what is available in the dashboard. We also added sovereign-specific criteria to the dashboard's capabilities. That way, analysts logging information can now tag sovereign-specific criteria that is distinct from corporates.

Launch of RisQ

During the year, we launched RisQ within our existing research platform to help expand on the data coverage of our municipal bonds. This new functionality affords us the ability to access an array of ESG metrics for municipal bonds, such as exposure to climate risk, social impact scores, diversity statistics and more. So far, RisQ has been incredibly useful to us in helping to fill in ESG data gaps — a longstanding challenge in the municipal bond space. At this point, the platform is used only to supplement the research of the investment team, but we hope to use it in client reporting eventually.

/ CONSTRUCTIVISM: A COLLABORATIVE APPROACH TO STEWARDSHIP / 1 9 11

Our goal when investing is to be value makers. We believe constructive stewardship serves this aim well. Such stewardship is not just about the discharge of a duty. It is also about collaboration and understanding. It gives us an analytical advantage and can act as a source of alpha generation. This approach to stewardship is consistent with how we allocate capital and our culture of long-term investing because it allows us to learn more about and more effectively influence the companies in which we invest, which we believe will ultimately accrete value for our clients and help us achieve the best risk-adjusted returns we can for them.

In the investment industry, the prevailing wisdom seems to be that the stewardship decision is a binary one: You are either an activist or you are passive. We do not agree. There are many forms of effective stewardship. Academics from Oxford published a note on the four forms of stewardship: conservatism, opportunism, constructivism and activism. The diagram below outlines the key features of each approach.



Image source: [Four strategies for effective engagement | Responsible Investor \(responsible-investor.com\)](#)

At MFS, we are in the constructivism camp. This does not mean we are afraid of escalating when necessary, but we think that the best outcomes are more likely to be achieved through strong relationships and regular dialogue with the companies that we have chosen to invest in. Many aspects of our investment philosophy guide us in this approach, including these:

- **Our long-term horizon** – We think, act and invest with a long-term focus because we believe it is the best way to meet client objectives.
- **Our mindset** – Investing should be about ownership rather than mere exposure. Because we are active, fundamental managers with a strong selection discipline and a long holding horizon, companies hoping to be included into our portfolios face a high hurdle. That means we carefully consider how all material factors could impact an investment and recognize the need to help companies manage these risks and opportunities.
- **Our strength of resources** – Within our global research platform we conduct high-quality, bottom-up analysis and engagement. We have over 300 investors in regions across the major markets in which we invest. This affords us the benefits of scale, allowing us to conduct thorough research into the companies we own using the diverse expertise of our platform to better help investees manage all risks and opportunities.
- **Our focus on the materiality of all fundamental risks and opportunities** – This enables us to focus on the relevant issues with management teams in our due diligence. We believe this holistic approach helps us to identify companies we believe exhibit enduring competitive advantages and financial returns.
- **Our long track record of proactive participation** – Collaboration through issuer engagement and industry participation improves our ability to understand in depth the risks and opportunities facing the companies we own.

We are confident that our approach of long-term, constructive stewardship is the best way for us to fulfill our duty to clients. We are excited about our ability to create value in a way that is so complementary to our investment process. We will continue to practice

- outcome-focused engagement rooted in a deep knowledge of the company
- highly collaborative, long-term, persistent engagement
- holding companies accountable, not simply jumping immediately to exclusion or divestment or being overly aggressive or short-termist in our tactics

Engagement case study: American financial services company

Over a number of years, MFS has engaged with a large holding regarding its culture and the diversity of its workforce. We have held several individual engagement meetings with the company’s management team, and we shared our culture and diversity letter (sent to our 100 largest holdings) with the company. The company’s disclosures improved in prior years, but in 2022, it started to disclose more of the data we requested, including breakdowns of gender, racial and ethnic diversity.

Engagement case study: American-Israeli software company

In 2021, MFS shared a letter on climate with our 700 largest holdings. This letter was meant to help companies recognize the financial materiality of climate risk and opportunity, hopefully encouraging better carbon disclosure and target setting. Many companies responded positively, but one in particular, an American-Israeli software company, launched a carbon neutral commitment in 2022. The company’s management team sent us an email suggesting that our letter was influential in their adoption of these targets.

Engagement case study: Japanese software company

Members of our investment team held multiple engagements with a Japanese software company to address significant governance concerns around board oversight and company decision making. Going into the year, the company had Japan’s lowest margin IT service business and was one of its lowest returning property developers. The company’s financial circumstances, coupled with nepotism, a lack of independence, and dysfunction in management committees prompted a third-party activist shareholder to submit a proposal opposing the reelection of every executive director including the CEO and supporting the appointment of fully independent directors.

Agreeing on many points of concern around the company’s management, we decided to vote in favor of their shareholder proposal to appoint independent directors. By the end of 2022, the company was easily the best performing IT service stock in Japan. That suggests we were correct in concluding that the company’s stock performance has been driven by its poor corporate governance and capital allocation, and this outcome demonstrates the efficacy of shareholder engagement.

/ OUR ACTIVE OWNERSHIP APPROACH / 1 9 10 11

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 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 material 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, and in different forms, often involving dialogue with company management, formal letters, ESG-focused board meetings and more. The two ways engagements are conducted are

- solely by members of our investment/stewardship team
- 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, 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 sustainability 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 sustainability 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.

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

- *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 risks it faces and also have the opportunity to share our own values and broader expectations.
- *Engagement with a focus on real-world change* — When necessary, we try to challenge issuers' behavior in relation to considerations that we feel are financially material to the company. 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.

Prioritizing Engagement Targets

Our engagement targets are identified in several ways. Our stewardship team engages with companies based on, among other factors, ownership size, vote results and thematic topics, such as executive compensation, board composition and the disclosure of political contributions. Additionally, our investment team identifies engagement targets via our own internal research, which is conducted at a stock, industry and thematic level. The team also shares our views regarding key topics relevant to all issuers.

Top-down strategic engagement priorities focus on the riskiest areas and those that offer the most opportunity. Strategic engagement themes predominately tackle systemic risks such as climate change and address issues affecting multiple industries.

The factors that we assess and engage on vary over time and by industry; however, over the past three years, some common topics of engagement have included

- corporate culture, including diversity
- climate change
- income inequality, including the impact of the gig economy
- product quality
- technology ethics
- executive compensation
- board composition
- health and safety
- nutrition and obesity
- tax transparency and avoidance
- natural capital and biodiversity

While we continue to look for new risks and opportunities across the investment landscape, we expect to continue engaging on the topics referred to above.



/ ESCALATION /

We believe escalating an engagement is an effective way to assert our influence and be a good steward of our clients' capital. At MFS, we do not maintain a prescriptive framework with rigid milestones for engagement escalation as we view every engagement as a unique endeavor. Also, we do not prioritize specific issues for escalation as all our engagement and investment decisions are rooted in economic materiality, which by its nature varies depending on the company and the circumstances it faces. This is because our large team of bottom-up investors are experts on each issuer, affording us the insight and capacity to take a more targeted and therefore effective approach to engagement and escalation.

We do, however, recognize that our unique position as a large shareholder in companies often allows us to garner more attention from management. So when we deem it in the best long-term interests of our clients, we do not hesitate to escalate an engagement on issues that we consider economically material. Our escalation methods are the same regardless of account type, asset or geography. However, the option of exercising our vote on fixed income securities is limited given the nature of the asset class. If the outcome of our direct engagement is unsatisfactory, MFS may consider using a variety of escalatory tactics. The approach taken depends on the circumstances and may change because of progress made by the company or other developments.

Our business model is based on global investment and engagement platforms, and therefore we do not significantly vary our processes for specific accounts or geographies. We believe this approach makes our practices more consistent and allows us to leverage centralized resources, which in turn benefits our clients through a collaborative process. As with engagement and other stewardship activities generally, the practices are more developed for equity owners. As we note elsewhere in this report, bondholder ownership practices are a developing area for us, but we do not have different engagement escalation practices for different asset classes.

Escalation: Our toolbox

Our escalation toolbox includes the following:

- Meeting with company management or nonexecutive directors
- Writing letters to relevant people in the company
- Withholding support for or voting against management and nonexecutive directors
- Withholding support for or voting against specific resolutions such as the report and accounts
- Making a statement at a company's annual general meeting
- Making a public statement
- Divesting

On divesting, while we consider engagement a powerful force for change within companies, we recognize that it is not always effective despite our best endeavors, and that a failed engagement may require repositioning, such as trimming or divesting, if our overall investment thesis is impaired by the company's failure to respond to our engagement.

But we do not vote in favor of shareholder resolutions only because engagement has not succeeded, and voting this way should not necessarily be seen as criticizing the board's or management's overall approach. We want to provide the company transparent feedback on our voting decisions, complementing and reinforcing messages that may have been shared through private engagement.

Escalation: A Deeper Look at Certain Methods

CONTINUED AND CONSISTENT RAISING OF ISSUES

If our stewardship team is not getting the requisite attention from a company or achieving sufficient progress on an issue we deem economically material, the team will simply keep raising the issue until we see the results we believe are in the best interest of clients.

LETTER WRITING CAMPAIGNS

We may send a written communication to a board of directors to explain the rationale behind our votes, express our expectations as investors or invite a dialogue with the issuer on a specific topic.

COLLECTIVE ENGAGEMENTS

When appropriate and in line with our fair competition policy, we will seek to engage on a collaborative basis. We recognize that in some situations our concerns will align directly with those of other shareholders in collaborative initiatives. While these engagements are not intended to serve as an explicit mechanism for escalating or replacing our investment-led and proxy-led engagements, there is significant crossover between topics, and we view these collective forums as potentially providing a “louder” platform. We have therefore joined a number of high-level collaborative organizations, such as Climate Action 100+, ShareAction, Ceres and others.

DIVESTMENT

When other methods of engagement have proven to be or appear likely to be unsuccessful, we may divest our holdings in a company. Our investment team does not generally view divesting as a productive outcome of an engagement. In fact, we view it as an abnegation of our stewardship responsibilities as it does not solve a problem but only makes it someone else's. But in some instances divestment is the best course of action for protecting our clients' long-term economic interest.



/ ESCALATION IN ACTION /

Engagement escalation: Spanish telecommunications company

Having been a long-term holder of the stock, and observed the significant evolution of the business, we had high conviction in our view of the company's current strategic priorities. Concerned that management may be continuing to pursue a strategy in line with the previous phase of the company's evolution and market context we wrote to the board of directors expressing our view and concerns on management priorities and succession planning. We subsequently met with the chair of the board to discuss our views further and to hear the board's response. We have been pleased to see the company take action in line with our requests.

Engagement escalation: American financial company

Following engagements with the company we remained unconvinced by the company's justification for its unusual board structure which we saw as incompatible with an effective board and oversight.

We expressed our concerns in writing with the board of directors regarding board composition and related party transactions and subsequently met with the lead independent director. We will continue to engage on this and consider in our voting decisions until we see improvements made.

Engagement escalation: American multinational financial services company

With concerns over future of leadership at the company and the magnitude of a special award, we voted against compensation and supported a shareholder proposal seeking an independent chair. We raised these concerns in engagement with the lead independent director. We have seen some positive changes to board composition but will continue to engage and vote to affect improvements in the governance structure.

Engagement escalation: American footwear company

We wrote down our concerns regarding capital allocation, share class structure and investor engagement and sent them to the board of directors.

In addition to company specific escalations, there have also been a few areas where we have pursued more systematic escalation:

- *Climate laggards* — We voted against directors at companies when we felt oversight and action on climate-related risks and performance fell short of our minimum expectations.
- *Companies exposed due to transitional issues* — We engaged more with the companies most exposed to the energy transition to better understand relative risks and performance and in line with our NZAM commitment. This resulted in additional company meetings on climate change, the prioritization of climate change in discussions and an effort to engage with more stakeholders at the company, including subject specialists and the board. We also joined collaborative engagements groups.
- *Japan holdings* — We sent letters to all our holdings in Japan highlighting our wish to see increased female representation on all boards, and our intention in 2023 to begin voting against the most senior director when there such representation is not at least 10%. The letter prompted further engagements as companies were keen to highlight their plans and progress.

/ MEASURING OUTCOMES: INPUT AND IMPACT / 5 6 9

Measuring the impact of stewardship efforts is daunting. It is not enough to simply look at what issues we engage on with investees and what actions were later taken by them. The engagement efforts of other managers, stakeholder and regulatory pressure, and changing attitudes within the company itself and among consumers must all be considered. In other words, how do we know when it is solely our efforts that have led to the desired change?

Furthermore, as described above, our approach to constructivist engagement is fundamentally long-term and operates on a continuum rather than involving binary decisions made while in the face of rigid deadlines. That is because our job as investors is to ensure we are agile and thorough when engaging on evolving issues. We are not interested in disingenuous demonstrations of output that are not in the best interests of our clients, and we cannot simply declare victory or admit defeat on an issue that is likely to involve a multifaceted, continual dialogue on a complex topic.

The pursuit of better governance and business practices is an industry-wide responsibility and we should not undersell our role in it. As a sizeable and respected investor in many companies and issuers, we do have influence and are convinced that our engagement and proxy voting efforts have led, at least in part, to the better management of risks and opportunities. Clients are increasingly demanding evidence of our engagement impact and demonstrating both the input and the output of our efforts is a priority for us.

Our approach to constructivist engagement is fundamentally long-term and operates on a continuum rather than involving binary decisions made while in the face of rigid deadlines.



Defining impact

The risks and opportunities impacting our portfolios can be systemic or issuer-specific, which is why we take a holistic view when deciding whether to invest in a particular company. We employ a collaborative, bottom-up approach to assessing portfolios in order to ensure that all the relevant material considerations are identified and managed. We want to understand whether a company's operations, products or services will result in positive real-economy outcomes or not, and if not, to help the company change course.

Engagement guidance and best practice

We believe that to act as responsible stewards of our clients' assets, we must use our judgment to determine when to engage and how to use other ownership rights to fulfil our fiduciary duty.

That is why in 2022 we began developing an engagement guidance framework to help us navigate our stewardship efforts, with the client's interest our primary objective. The purpose of the framework is to outline why we engage, how we engage, how we set priorities and what our escalation mechanisms are. The framework provides guidance to the investment team on governance, strategy and our engagement approach, priorities, methods and escalation processes.

Measurement and reporting

Our investment team members maintain a record of their activity. Additionally, we publish quarterly stewardship reports that provide highlights of our voting-related activities, engagements and statistics during the period. Our most recent reports can be found at mfs.com/sustainability. For our UK clients we complete the Pension and Lifetime Saving Association (PLSA) voting templates.

We also record ESG information at the company level in our proprietary research notes system, including information on our engagements. We have developed a proprietary internal engagement functionality that is part of our global investment research platform system, which enables the team to track and assess our stewardship activity as described above.

Measuring the direct impact of our engagement activities can be challenging due to the wide variety of potential responses from issuers over the long term. As we view engagement as an ongoing endeavor aimed at producing outcomes over the long term, we continue to focus on identifying what measurable changes our portfolio companies can make in direct response to shareholder feedback.



/ UPDATE ON INDUSTRY INITIATIVES / 10

A key facet of our active ownership approach is our participation in collective engagements and related industry initiatives. We believe this is an effective way to generate positive impacts that lead to better long-term financial gains for industries, individual companies and 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, sustainability and proxy voting issues.

MFS is a member of a variety of organizations and initiatives that promote and coordinate collaborative engagement on sustainability topics, including the Principles for Responsible Investment (PRI), the US Investor Stewardship Group (ISG), the Asian Corporate Governance Association (ACGA), the Workforce Disclosure Initiative (WDI), the United Nations Global Compact (UNGC), the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC), the CDP, Climate Action 100+ (CA100+), and Ceres.

We are pleased to see that industry initiatives are continually being formed. However, we recognize that our resources are finite. We have therefore developed a checklist to assess potential new initiatives we are considering joining. The checklist takes into consideration things like value and purpose alignment, resources and the implications of conflicts of interest. Our team uses it to ensure we are comprehensively assessing the initiatives we join.

This checklist helps us concentrate our efforts on the most fruitful areas. For a complete list of our organizations and initiatives, please see Appendix 3.

/ COLLECTIVE ENGAGEMENT AND INDUSTRY PARTICIPATION ACTIVITY /

PRI Tax Reference Group

Our director of ESG Integration became chair of the PRI's new tax reference group midyear. Leading this group will help MFS

- stay abreast of changes occurring in the tax landscape (a financially material area for every company)
- continue to solidify our relationship with the PRI, one of our most important sustainability partners
- remain a leader on a topic that many of our clients find interesting

A notable output of this initiative was our engagement with an important industry participant surrounding Global Reporting Initiative standard #207 (GRI207) — a voluntary tax reporting standard that companies can use to report on tax risks and opportunities more comprehensively in their business. In our letter, we encouraged this participant to adopt or support the GRI207 standard. In our view, investors, in particular universal owners, are increasingly recognizing the portfolio-level risks that certain corporate tax practices create, such as insufficient funding for safety net programs that can reduce the duration and severity of recessions. In general, as with the climate disclosures of several years ago, investors have little information to assess earnings, reputation, and governance risks associated with aggressive tax planning. Thus we advocated for the adoption of GRI207 solely because we believe it will afford investors deeper insight into a company's tax practices.

PRI Advance

We joined the [PRI's Advance initiative](#) as a Signatory Advisory Committee member. Advance is a stewardship initiative in which institutional investors work together to act on human rights and social issues. We will use Advance to engage with issuers on material human capital issues.

And we will work with the initiative to hone in on key industries, identify the roles of different investors and establish our role as a lead participant in an engagement with a global commodity company

/ LETTER WRITING INITIATIVES /

During the year, we signed on to both the European and the [Asian GRESB letter](#) targeting 50 companies across 12 markets. Authored by GRESB and signed by investor members including MFS, the letter encourages companies to participate in the 2022 GRESB Real Estate Assessment so we might better understand their sustainability efforts using various metrics. As investor members, we can join engagements with companies of interest when it is warranted.

We also participated in the Carbon Disclosure Project's (CDP) 2022 Municipal Disclosure Campaign. As a signatory to the CDP, we participated in the group's pilot program, which looked to persuade subsovereign bond issuers to disclose their environmental impacts to investors. Together with the CDP, we sent a disclosure

request letter to 463 US and Canadian issuers, requesting their response to the CDP's Cities/States and Regions/Public Authorities Questionnaire. Of the 463 issuers, 153 issuers responded and 20 responded for the first time, with an overall success rate of 33%. We were pleased to see the progress made in filling data gaps in the municipal bond space.

In August, we wrote a letter commenting on the SEC's [proposal](#) related to enhanced disclosure by investors on ESG practices. We stated our support for the primary goals of the proposal, which are to discourage greenwashing and provide concise, comparable ESG disclosure to investors. We also expressed our concern over aspects of the proposal that could create investor confusion and suggested possible solutions.

In September, we contributed to and cosigned a letter from The Asian Corporate Governance Association (ACGA) alongside the organization's working group members and other interested investors. This letter was sent to the FSA, the Japan Exchange Group and the Tokyo Stock Exchange (TSE). In the [letter](#), we outlined the business case for gender equality pertaining to Japan listed equity companies and why this is material to investors, particularly with greater attention being paid to these topics. The letter outlines a recommendation for raising gender diversity on boards in Japan following two potential pathways: the TSE listing rules, focusing on TSE Prime companies, and the Corporate Governance Code. The letter also recommends a number of supporting governance and managerial measures to assist in meeting these targets.

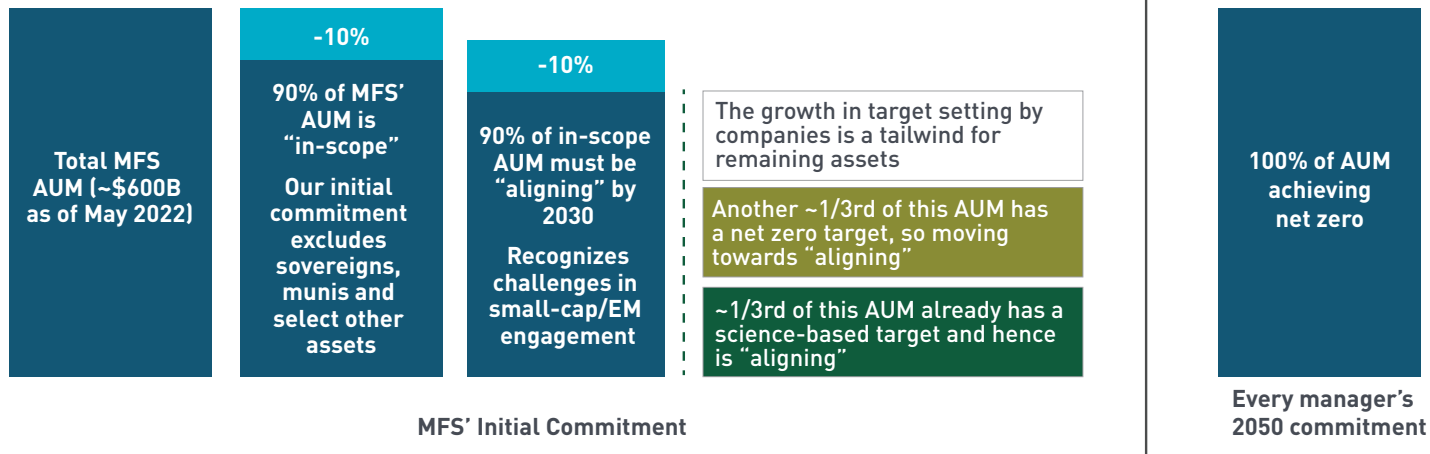
During 2021, we joined the Interfaith Centre on Corporate Responsibility (ICCR), an association advocating for corporate social responsibility, and we share its commitment to moving the current business focus away from achieving short-term returns and toward more forward-looking business strategies and decisions. One example of an ICCR investor initiative that we joined in 2022 is a letter we signed supporting a "just transition" to a net zero economy. A just transition would address the interconnected financially material issues of climate change, racial injustice, public health and economic inequity. The letter calls on companies, investors and policymakers to ensure that the transition to a decarbonized economy supports racial and economic equality by prioritizing "high-road" jobs that provide family-friendly benefits, pay a livable wage and promote health and safety. The letter also promotes respect for human rights, positive community impacts and the remediation of harms.

/ NZAM COMMITMENT UPDATE / 4 7

In July of 2021, MFS joined the Net Zero Asset Managers initiative (NZAM), a voluntary collective of 301 international investment managers with \$59 trillion in assets under management. As a signatory to NZAM, MFS supports the goal of achieving net zero carbon emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. In our view, climate change is a systemic investment risk that cannot be diversified away. That means that future investment returns are likely to be impacted by climate change and the policies designed to combat it, as well as consumer or other shifts that occur because of society’s increasing interest in the topic.

Our investment universe will not be narrowed as a result of our commitment, meaning excluding or immediately divesting from high-carbon assets will not be part of our approach. There is a lot of interconnectedness to support this method — we need utilities to make electricity green, steel companies to make windmills, mining companies to unearth the rare metals needed for electric cars, etc. Our approach is predicated on the belief that engaging companies across industry sectors to transition in line with the decarbonization of the global economy will reduce the overall climate-related financial risks within our clients’ investment portfolios. Moreover, we believe our approach, in addition to helping foster positive change, is in the best interest of clients and aligned with our purpose of creating long-term value responsibly.

When we joined NZAM, we were asked to set an interim 2030 target, reviewed every five years, for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner. In May, MFS took the critical first step of setting interim and long-term targets for our portfolios to align with the NZAM initiative. Our targets are as follows:



Our approach to achieving net zero alignment is premised on engagement, not exclusion. By effectively engaging with the companies in which we invest, we can manage the overall climate-related financial risks within our clients’ investment portfolios while simultaneously playing a role in helping relevant industries recognize the risks and opportunities associated with the transition and related decarbonization efforts.

Our rationale for AUM-focused targets is detailed below.

1. *A focus on issuers (real world emissions), not portfolio emissions* — Decarbonizing the global economy requires GHG emission reductions across many industries and sectors. Decarbonizing portfolios applying linear GHG reduction targets is counterintuitive, principally for two reasons: a) Sectoral decarbonization pathways are nonlinear. For example, in some hard-to-abate sectors certain technologies are still in development and it is understood that emissions may go up briefly before trending down. b) Managing portfolios in such a way as to meet a GHG emissions reduction target might lead to the exclusion of sectors with larger emissions that are vital for transitioning to a decarbonized world, such as steel, cement and industrial gases.

Furthermore, while each of our portfolio managers has discretion over their own decisions, much of the climate-related research that happens at MFS is conducted by industry specialists who support many different portfolio managers and strategies. As a result, we believe setting an AUM target with an engagement-based approach allows us to maximize the proportion of in-scope AUM on the path to achieving net zero while also aligning with our investment philosophy and our fiduciary responsibilities to our clients. We believe this approach is congruent with the NZAM initiative's ambition to achieve real world emissions reduction in our portfolios.

2. *Engagement as our primary tool because it is the most effective* — We are confident that our approach of long-term, constructive stewardship is the best way for us to fulfill our duty to clients. We are excited about our ability to create value in a way that complements our investment process so well. We believe that large, long-term-oriented asset managers who engage companies and issuers can benefit governance and business practices by helping executive teams and directors evaluate the climate-related risks and opportunities facing their industry. That is why we have developed a sector-focused engagement program that will measure how well aligned companies' climate transition plans are with Paris-aligned temperature pathways while taking into account specific risks and opportunities.

We do not intend to use exclusion or purchase "green" companies solely for the purpose of reducing portfolio carbon emissions, as such an approach neither reduces real world emissions nor aligns with our fiduciary obligations to our clients.

We may, however, elect to selectively divest from an investee company if we believe it is not making sufficient progress toward addressing the climate risks in their operations. We may also elect to invest in companies that aid climate change mitigation and adaptation if we believe this to be in the best interest of our clients and in line with our fiduciary duty.

3. *The uniqueness of every issuer; the importance of contextual analysis* — Because we are an active manager, bottom-up, contextual analysis of companies is at the core of our investment approach. Authentically integrating our climate-related engagement program into our investment decision making means that we take into consideration geographical differences (e.g., emerging markets and developed markets), are appreciative of challenges and dependencies involved in company transition plans and understand how technological and regulatory changes impact issuers and industries differently.

4. *An integrated organizational structure; one investment platform* — Given that we operate as one platform, we can leverage the unique perspectives and expertise of our global team of investment professionals. Engagements on climate-related issues are conducted by a combination of fundamental analysts, portfolio managers and the sustainability and stewardship focused members of the investment team. Our collaborative approach ensures that company specific business models are well understood in engagements, our engagement program is aligned with our investment thesis and engagement insights are shared across the investment platform.

How do we prioritize?

Having opted for an AUM approach covering many listed issuers and corporate bonds, we must properly structure our climate related engagement program so it is efficient and effective.

Our NZAM-related engagements are prioritized based on a number of factors. These include total firm position size across asset classes, internal conviction, proportion of ownership (in equity), sectoral exposure to climate-related transition risks, GHG emission equivalents and the current status of net zero commitments and interim targets. The tiering will be updated on an annual basis.

In the initial NZAM engagement program, issuers have been ranked in importance by placing each in one of four tiers. The tiering will guide the frequency and intensity of engagement, internal reporting requirements and the allocation of central resources.

Our tiering system is fluid, and a function of our continual learning process as we engage with companies and navigate the factors described above, such as changes in position sizes. The top three tiers cover over half of the firm's AUM. For companies in these tiers, a formal analysis of their targets, disclosure and transition plan will be undertaken and updated over time as needed (see below for more information on this).

In alignment with the structure and culture of our global investment platform, while many engagements are happening concurrently, we have taken a sectoral approach to deep dive on companies in material sectors so as to align with the structure and culture of our global investment platform. This will help us learn and develop nuanced approaches, such as taking into account specific regional regulatory regimes and pathway dependencies while also allowing us to scale our engagement efforts. We will introduce a different sector in each of our NZAM progress reports to illustrate the views that we have developed in small working groups on significant headwinds and tailwinds, (inter)sectoral challenges such as technological developments, and geographical nuances and policy implementations related to climate change risks.

Case study: American energy company

We have been engaging with a utilities company that set the stage for its own net zero transition by changing its purpose statement in early 2020 to refocus on "accelerating the transition towards a carbon-neutral economy." It set targets for renewables development and low-carbon distributed energy infrastructure plans and integrated its net zero ambitions into its long-term business strategy.

The company's SBTi-verified targets include the reduction by 2030 of carbon emissions from power generation by around 70% (starting at a 2005 baseline), plans to increase its renewable power generation capacity from 31 gigawatts in 2020 to 80 GW in 2030, plans to increase the share of renewables in its fuel mix to 58% by 2030 (from 34% in 2020), a complete coal phaseout in Europe by 2025 (2027 for the rest of the world) and the ambition of achieving net zero emissions by 2045, continuing efforts which have already halved 2015 levels of carbon intensity from energy production.

The company has reduced its coal-fired capacity from 15 GW in 2015 to 4.3 GW in 2022. Coal now accounts for just 5% of total generative capacity. The company has also closed all its coal-powered facilities in Europe (including the Tejo power plant in Portugal) and looks set to phase out coal globally by 2027. Going forward, it looks

favorably positioned to reduce direct emissions by 52% relative to 2017 levels and reach 167 gCO₂e/kWh in 2030.

However, the company's continued progress will not come without challenges, and it also faces headwinds. Its generation mix is more emissions-intensive than peers, with much of the energy it generates coming from gas for some time to come. We investigated the ambitions, headwinds faced, and credibility of the transition plan in a meeting with the chair of the board ahead of the company's vote on its transition plan at its 2022 annual meeting.

The company's targets were verified by the SBTi to align with a 2-degree Centigrade trajectory. The company, despite a desire to do so, is not currently able to commit to a target of 1.5 degrees. It aims to reach net zero across all scopes by 2045, whereas 1.5-degree pathways suggest 2035 should be the target year for developed market electricity generation. Whether the company can do better on climate depends on whether there is increased government support for the development of biomethane and green hydrogen to decarbonize gas. In meetings with board and management representatives, we encouraged the company to continue to assess what would be needed to close the gap to 1.5 degrees and what it could do to help achieve this. We welcome indicators with which investors could assess the company's work and performance in these areas and its readiness for faster decarbonization should the broader system, including government policy, align. Following internal debate and discussion we decided to support the company's transition plan at the annual meeting vote.

Going forward, our engagement will focus on efforts to accelerate the decarbonization of gas, whether directly or indirectly, through the alignment of the company's value chain with strategy and capital allocation and progress in its implementation, emissions and risk reduction.

You can see our full Net Zero Progress Report [here](#).

/ CLIMATE ACTION 100+ /

MFS continued its participation in Climate Action 100+, both through existing engagement streams and by joining two new engagement groups with companies in emerging markets. The firm participated in more than ten live Climate Action 100+ engagements during the year as well as other engagement escalations.

For four companies in which MFS is a lead or co-lead on the engagement, it was escalated by submitting questions to the company's annual meeting. Topics included the ambitiousness of targets, shorter-term targets, Scope 3 emissions and capital allocation. For one company in which MFS is a co-lead, the engagement was escalated ahead of a vote at the company's annual meeting on its transition plan. This was done by raising concerns in a letter to the chair of the board. We believe engagement has led to the company enhancing its scenario analysis of climate risks and undertaking the independent verification of the ambitiousness of its targets in the absence of a science-based methodology. At another company in which MFS is a co-lead a letter was sent to the chair of the audit committee raising investor expectations on decarbonization related accounting disclosures.

In addition to engaging with companies, MFS contributed to the initiative by participating in working groups developing net zero standards at the sector level, contributing to the analysis of company targets and plans and providing a response to the consultation on the next phase of the initiative.

Areas MFS raised in its response to the initiative included: restructuring and expanding the focus list of companies to focus on critical areas of decarbonization, greater consideration of the timelines of decarbonization in emerging markets and specific sectors in the context of achieving net zero globally by 2050, setting shorter phases for the initiative to increase urgency and accountability, a more strategic allocation of investor capacity and time, and extension to cover physical climate risks.

CLIMATE ACTION 100+ IS AN INVESTOR-LED INITIATIVE TO ENSURE THE WORLD'S LARGEST CORPORATE GREENHOUSE GAS EMITTERS TAKE NECESSARY ACTION ON CLIMATE CHANGE. CLIMATE ACTION 100+ ENGAGEMENT FOCUSES ON 166 COMPANIES THAT ARE CRITICAL TO THE NET-ZERO EMISSIONS TRANSITION. INVESTORS ARE RESPONSIBLE FOR DRIVING ENGAGEMENT AND DEVELOPING AND IMPLEMENTING COMPANY SPECIFIC ENGAGEMENT STRATEGIES.

/ PROXY VOTING: A PILLAR OF STEWARDSHIP /

3 5 12

MFS maintains its own publicly available proxy voting policies and procedures, which provide a framework that guides our proxy voting decisions at approximately 2,000 meetings in over 50 different markets each year and includes procedures governing how we address potentially material conflicts of interest.

The MFS Proxy Voting Committee oversees the administration of the MFS Proxy Voting Policies and Procedures. We believe that having a diverse range of perspectives leads to a thoughtful and collaborative process that guides MFS' voting decisions and policy development. Franziska Jahn-Madell, MFS director of global stewardship, and Susan Pereira, vice president and managing counsel, co-chair the committee, which consists of senior members of our Investment, Legal and Global Investment Support departments. In order to mitigate the potential for material conflicts of interest, individuals whose primary duties relate to client relationship management, marketing or sales are not allowed to serve on the committee.

The day-to-day management of our proxy voting and engagement activity is performed by our stewardship team. While many voting issues fall within the scope of our policies, many votes require a case-by-case analysis. As an active manager, we can leverage the collective expertise of the team with the unique perspectives and expertise of our global team of investment professionals. This process enables us to formulate viewpoints with multiple inputs, which we believe leads to well-informed voting decisions. The process also provides the investment team with opportunity to better understand the stewardship team's viewpoints on a variety of topics, which in turn enables our investment professionals to integrate those viewpoints into their research process. As a result, when deciding on our position on certain types of votes the MFS Proxy Policies and Procedures do not provide explicit guidance on, the stewardship team often collaborates with other members of the investment team.



Proxy Voting Policy update

The Stewardship team led a review of the proxy voting policy with two core objectives in mind:

1. *Clarity, consistency and transparency* — The policy was focused on the overall guiding principles used to make voting decisions. Additional wording was added to clarify our expectations on good governance and how we make voting decisions on areas such as executive compensation, board independence in non-US markets and the appointment of auditors. We also included specific examples of environmental and social shareholder proposals that we may support and included information on how we analyze certain environmental proposals that management may propose.
2. *Global approach* — This approach reflects our view that key principles of good governance apply globally.

It is important to note that our overall approach has not changed. We remain guided by the principle that voting decisions are made in what we believe to be in the best long-term economic interests of our clients.

Changes were also made to certain voting guidelines, effective January 1, 2023, including these:

1. Extending our current voting guideline addressing excessive service by directors on boards of outside public companies to markets outside the US (market standards permitting)

2. Extending our current voting guideline with respect to board size to markets outside the US
3. Expressing the view that companies in all markets should achieve a consistent minimum representation of women on their boards of at least one-third and continuing to raise our minimum expectations on board diversity: 22% (up from 20%) women for Australian, Canadian, European and US companies, less than 10% women for Japanese companies and at least one director who identifies as either an underrepresented ethnic or racial minority or member of the LGBTQ+ community at S&P 500 and FTSE 100 companies
4. Amending our voting guideline with respect to the right to call special meetings by increasing the threshold from 10% to 15%
5. Adding a voting guideline that when multiple share classes or other forms of disproportionate control are in place, we expect them to have sunset provisions of generally no longer than seven years, after which the vote structure becomes single class — one vote per share.

We continue to develop our approach to proxy voting so that we can better identify and address areas of concern and be active stewards of assets. In 2023 we will undertake additional work in emerging markets, particularly to identify and set updated voting guidelines.

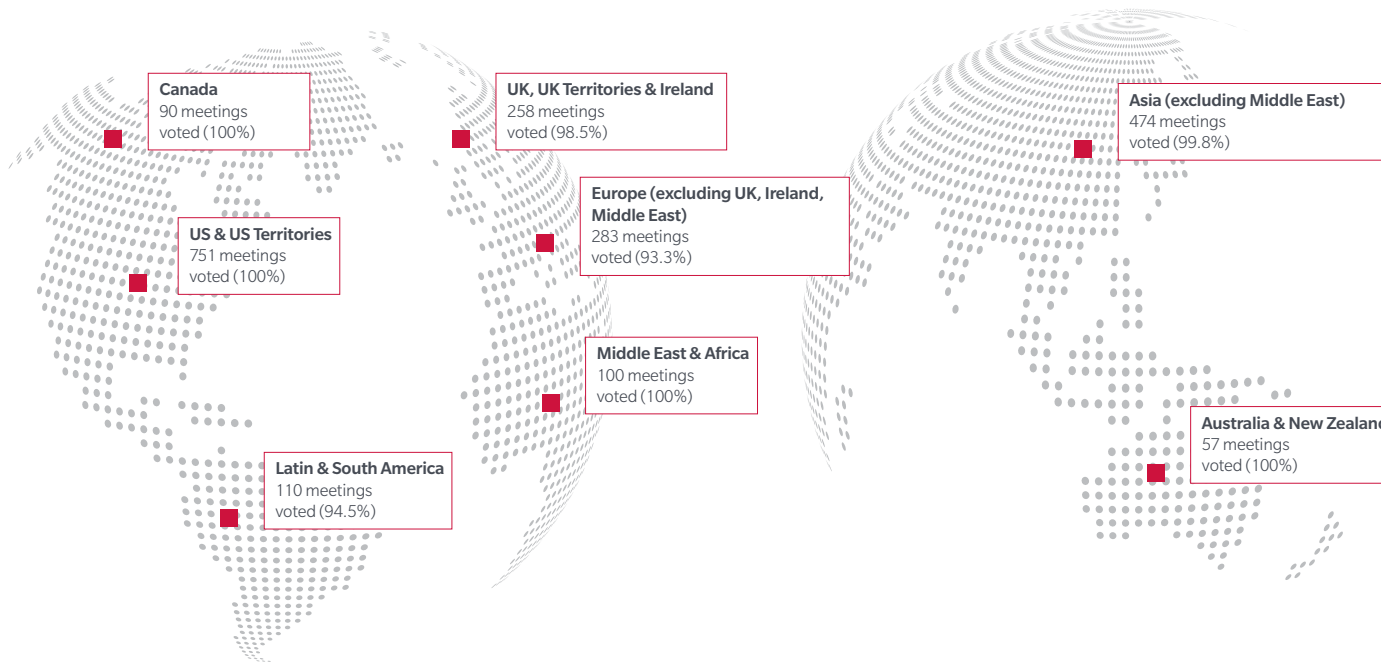


2022 Year in Review

MFS was eligible to vote on 24,393 ballot items at 2,056 shareholder meetings across 57 markets. The firm voted shares at approximately 99% of these meetings, with the remaining meetings not voted due to share-blocking concerns (15 meetings), government sanctions that legally precluded us from voting (one meeting) or market-specific and other voting impediments (14 meetings). A full record of MFS’ proxy votes

cast, including votes withheld and votes against management, is publicly available at www.mfs.com/sustainability. Simply select location and role to access our records.

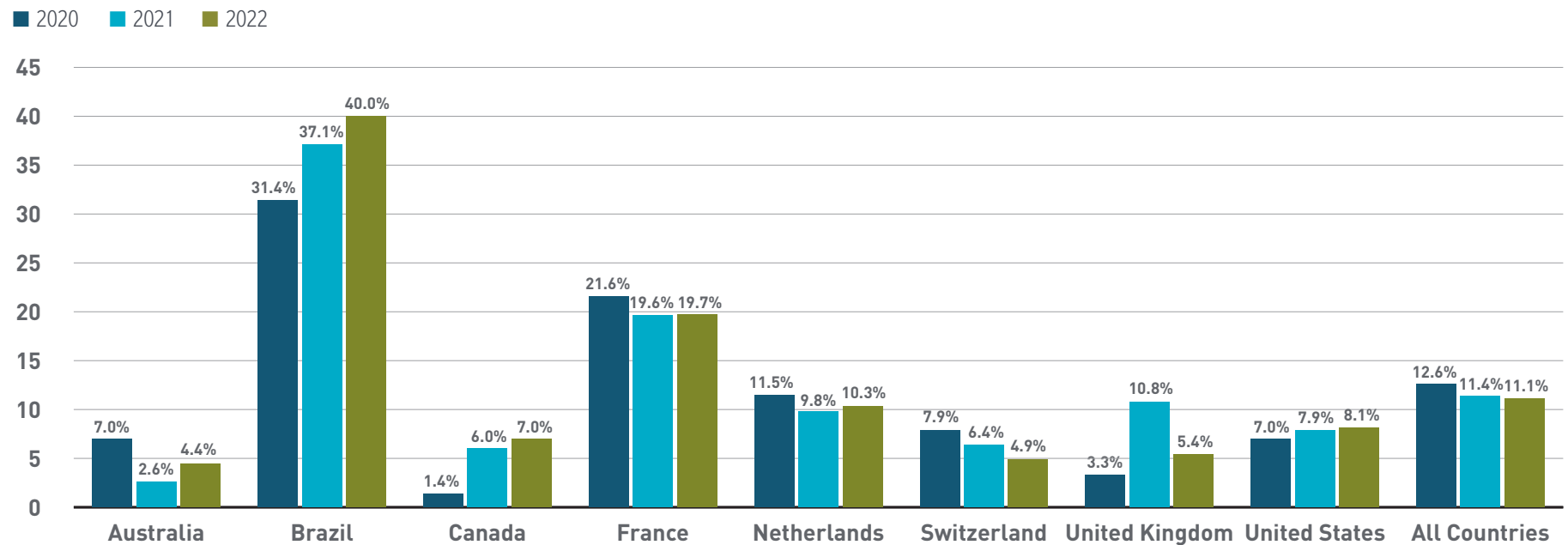
The map below shows the number of meetings voted around the world, along with the percentage of meetings voted within each region.



Executive pay

MFS believes Say on Pay votes are an effective mechanism for expressing our view on a company’s executive pay practices and can help ensure that they are aligned with shareholder interests and do not incentivize excessive risk taking. Competitive pay packages are necessary to attract, motivate and retain executives; however, excessive or short-term-oriented compensation schemes are unlikely to be in the best long-term interests of shareholders.

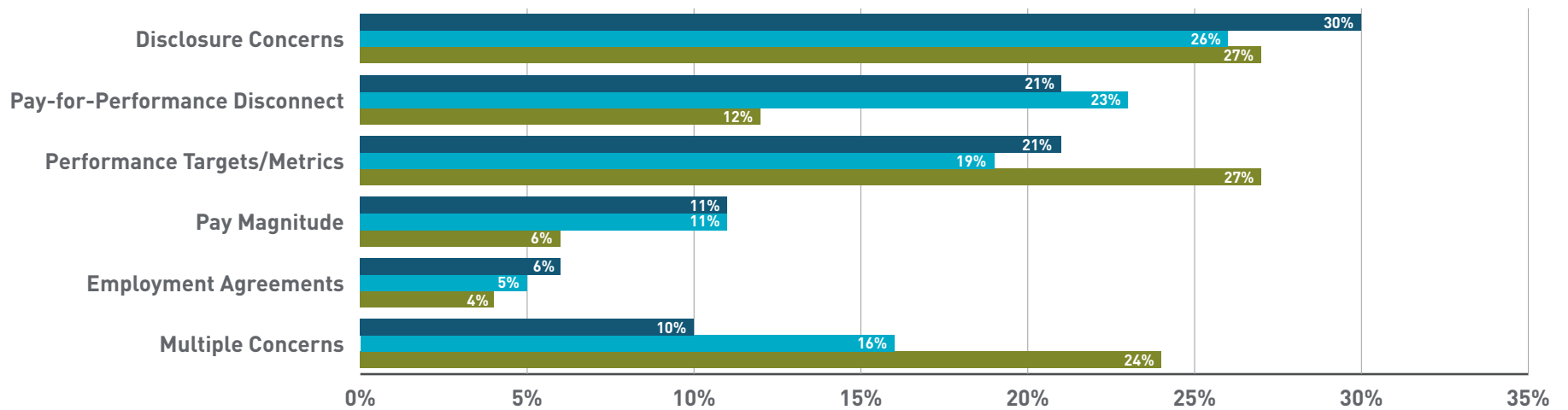
How Often MFS Voted Against Executive Pay



MFS voted against or abstained on approximately 11% of executive pay proposals globally. As illustrated below, our rationale for voting against executive compensation practices ranged from disconnects between company performance and executive pay to poor disclosure of pay.

Reasons for Deeming Pay Excessive

■ 2020 ■ 2021 ■ 2022



As in 2021, we voted against executive pay proposals in 2022 mostly due to concerns around disclosure (27% in 2022 compared with 26% in 2021). These concerns were most frequently noted on pay proposals at Brazilian and French issuers. We have observed an increase in the share of votes against management attributable to concerns over the performance metrics and targets set forth in remuneration programs (27% in 2022 compared with 19% in 2021).

Director elections

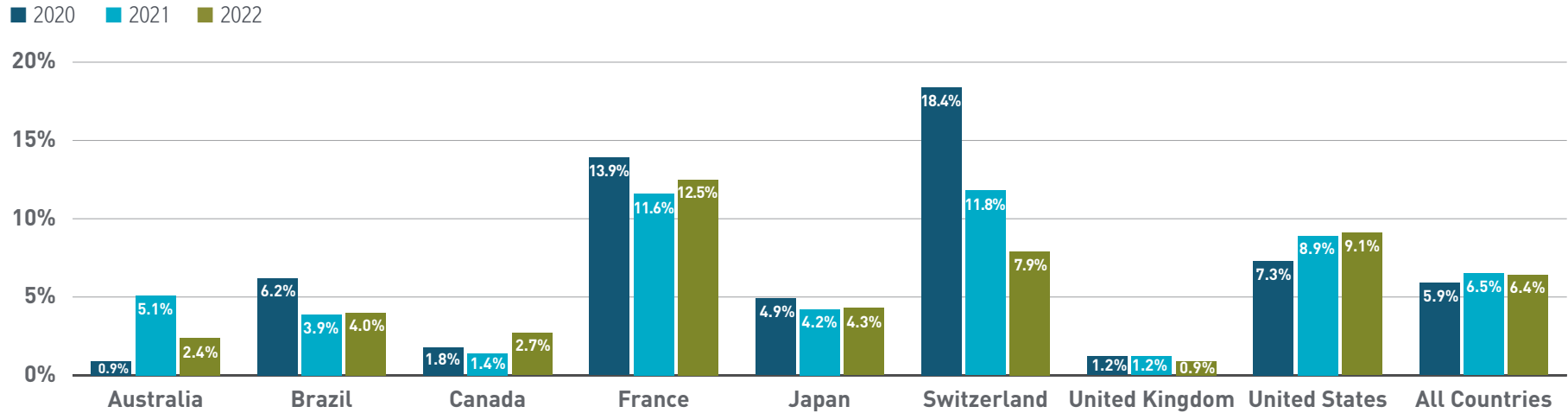
MFS believes good corporate governance begins with a board committed to accountability to its shareholders. While we generally support director nominees in uncontested elections, we will not support a nominee in certain circumstances (*e.g.*, low board independence, excessive outside board service, low attendance). Furthermore, we believe that a well-balanced board with diverse perspectives is the foundation of sound corporate governance and that gender diversity is one of the many ways corporate boards can enhance the diversity of their views, skill sets and collective expertise.

Beginning in the 2018 proxy season, we began voting against the chair of the nominating and governance committee at US companies with less than 10% representation of women on their board. Over the following years, we expanded the scope of the guideline to other markets and increased the percentage requirement for the representation of women on company boards. By 2021, we had expanded the geographical scope to include Australian, Canadian, European and US companies and increased the percentage requirement to 15%; in 2022, we increased the percentage requirement to 20%. For 2023, we again increased the requirement for these markets to 22% and added a guideline to vote against certain directors at any Japanese company at which women make up less than 10% of the board. It is our wish that companies in all markets achieve a consistent minimum representation of women of at least a third of the board. We also take a holistic view on the dimensions of diversity that can lead to a variety of perspectives and stronger oversight and governance. As result, we added a new 2023 guideline of voting against the chair of the nominating committee of US S&P 500 companies and UK FTSE 100 companies that have failed to appoint at least one director who identifies as either an underrepresented ethnic or racial minority or a member of the LGBTQ+ community.

The firm may also vote against director nominees if the company board maintains what MFS considers to be shareholder-unfriendly provisions, such as a supermajority vote requirement, or if the board has not responded adequately to major issues of concern to shareholders (*i.e.*, majority-supported shareholder proposals or executive pay proposals that have failed or garnered significant shareholder dissent). If many shareholders have express dissatisfaction with a company's executive pay program and the board has not addressed the issue, MFS may vote against members of the compensation committee or the full board.

The firm voted against management's recommendation of 6.4% of director nominees globally (compared with 6.5% in 2021). In the nearly 800 director nominations MFS did not support, concerns over four primary issues accounted for 83% of the votes against management. They were 1) boards' failure to remove shareholder-unfriendly provisions (39.7% of director votes against management); 2) insufficient director or board independence (25.3% of director votes against management); 3) insufficient board gender diversity (13.7% of director votes against management); and 4) overboarding or excessive board service (11.5% of director votes against management). Please note that, as MFS may vote against a nominee for more than one reason, the sum of these figures totals more than 83%.

How Often MFS Voted Against Directors



Shareholder Proposals: Gathering Insights from 2022 and Looking Forward to 2023

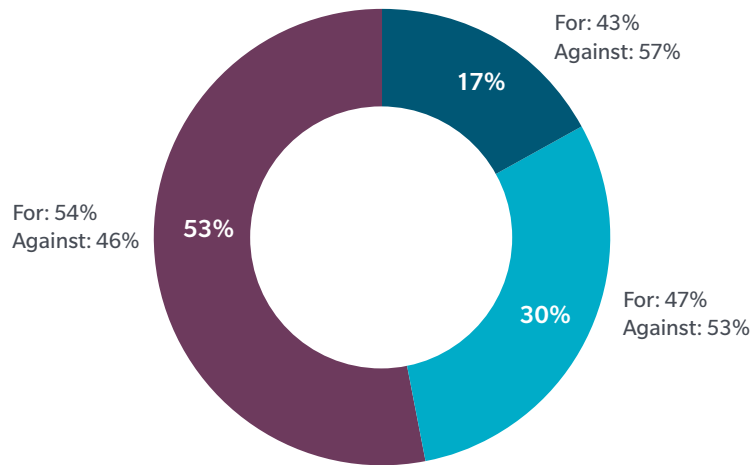
Shareholder proposals can catalyze positive change on a multitude of issues. At companies where we had a vote, nearly 650 proposals were submitted by shareholders seeking a vote on a wide variety of issues (compared with approximately 550 in 2021). The most prevalent topics included climate change, lobbying and political activities, human capital management and independent board chairs. We continue to see significant year-over-year increases in the number of proposals submitted by shareholders highlighting the uniqueness of the global environment, including the spotlight on social justice issues and representation and the focus on the impact of climate change. We expect many of the proposals we saw in 2022 to be on the ballot again because of the support they received. For example, in 2022 we considered and

voted on several shareholder proposals calling for companies to conduct and report on a third-party racial equity or civil rights audit. After seeing none of these proposals receive majority support when they first began to appear on shareholder meeting agendas in 2020, several received majority support in 2022. We concurrently observed both the frequency and average support of these proposals increase notably: The 17 proposals that MFS voted on requesting either racial equity or civil rights audits received an average of 43% support (compared with 32% average support of nine proposals in 2021). We believe we will be voting on similar proposals in 2023.

Climate change is also expected to be a prominent theme in 2023 voting activity, as it was in 2022. While governance-related proposals continue to be the most prevalent on ballots overall relative to social- and environmental-related proposals, we saw the frequency of environmental-related proposals experience the greatest growth. We expect this trend to continue in 2023. We also expect to see shareholder proposals seeking the incorporation of ESG metrics (e.g., sustainability, data privacy, employee health and safety, workforce diversity) into executive compensation metrics and expect to conduct engagements with respect to the same.

How MFS Voted on Shareholder Proposals

- Environmental proposals
- Social proposals
- Governance proposals



In 2022, MFS supported 43% of proposals related to environmental issues.

Environmental issues

MFS voted on 107 shareholder proposals related to environmental issues during 2022 (compared with 60 in 2021) and supported 43% of these proposals (compared with 37% in 2021). The firm generally supports proposals regarding a given company’s operations that request additional disclosure on the impact of environmental issues such as climate change unless we believe the company already provides enough information on the topic to allow shareholders to assess the relevant risks.

A notable share of the environmental proposals receiving majority shareholder support made what MFS found to be reasonable requests for reporting on efforts to measure GHG emissions, set targets and reduce emissions. Consistent with MFS’ view that future investment returns are very likely to be impacted by climate change, it is important for us to consider issuers’ disclosures on their emission-related targets and progress. Observing shareholders’ significant support of these and other environmental-related proposals, we expect to continue to see these types of proposals for years to come.

Social issues

MFS voted on 196 shareholder proposals relating to social issues (compared with 111 in 2021) and supported 47% of these proposals (compared with 62% in 2021). Shareholder requests for increased disclosure around political contributions and lobbying activity represented nearly one-fourth of the social shareholder proposals we reviewed. These proposals typically focus on increasing the disclosure of oversight mechanisms relating to a company's political spending. Of the 38 proposals reviewed throughout the year, MFS voted in support of the majority of these proposals as in many cases we believed greater transparency around political contributions, lobbying activity and trade associations would provide information helpful to shareholders. If we believe that a company already provides enough publicly available information to enable shareholders to evaluate the potential risks around political contributions, we may not support this type of proposal.

Governance issues

Corporate governance continues to be the most common focus of shareholder proposals we review each year. MFS voted on 342 such proposals (compared with 376 in 2021) and supported 53% (compared with 56% in 2021). The number of proposals calling for the right or the amendment of the right of shareholders to call a special meeting more than tripled, going up to 73 proposals (compared with 20 in 2021).

SHAREHOLDER REQUESTS FOR INCREASED DISCLOSURE AROUND POLITICAL CONTRIBUTIONS AND LOBBYING ACTIVITY REPRESENTED NEARLY ONE-FOURTH OF THE SOCIAL SHAREHOLDER PROPOSALS WE REVIEWED.

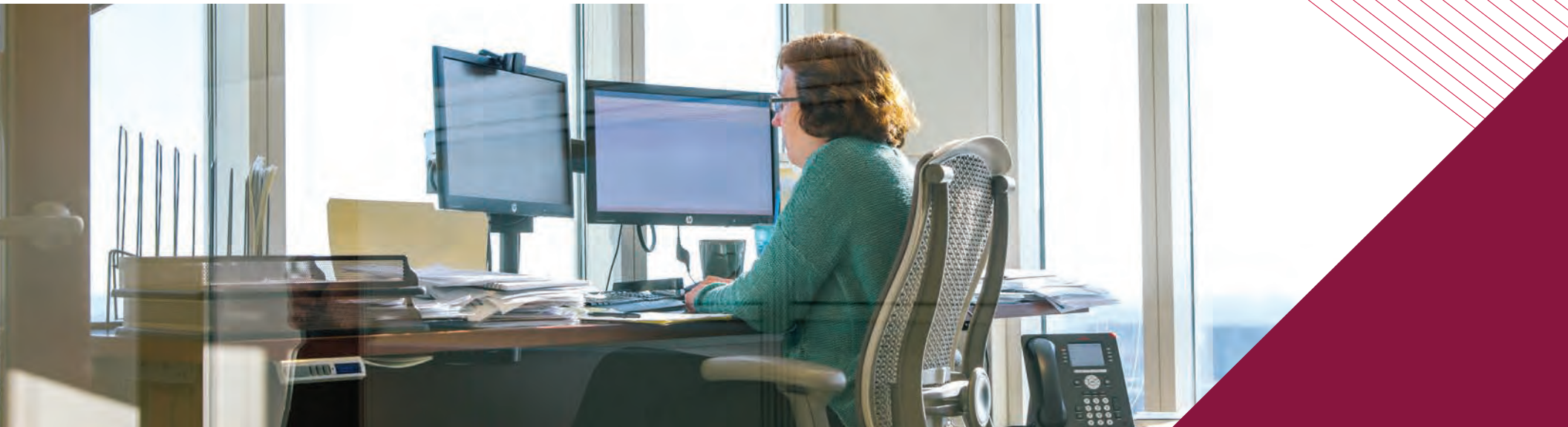
Use of Proxy Advisory Firms

MFS analyzes all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. The firm uses such a firm to perform various administrative services related to proxy voting, such as vote processing and recordkeeping. MFS also receives research reports and vote recommendations from multiple proxy advisory firms. However, these reports are only one input among many in our comprehensive analysis, which includes other sources of information such as proxy materials, company engagement discussions, other third-party research and data. These sources of information help us the most in our effort to vote in the best long-term economic interest of our clients. MFS has due diligence procedures in place to help ensure that the research we receive from our proxy advisory firms is accurate and that we address any material conflicts of interest involving them. This due diligence includes an analysis of the adequacy and quality of the advisory firm staff, its conflict of interest policies and procedures and its independent audit reports. MFS also reviews the proxy policies, methodologies and peer-group-composition methodology of our proxy advisory firms at least annually. Additionally, the firm requests quarterly reports from our proxy advisory firms that include the disclosure of any violations or changes to conflict of interest procedures.

MFS requests

QUARTERLY REPORTS

from our proxy advisory firms that include the disclosure of any violations or changes to conflicts of interest procedures.



/ FIXED INCOME STEWARDSHIP /

Open communication with issuers is an important aspect of bond ownership. We believe that long-term-oriented asset managers that invest in all asset classes can positively influence governance and business practices as they engage companies by encouraging executive teams to recognize that certain material issues are relevant to an increasingly broad investor base and require further consideration.

Accordingly, since 2020 our fixed income investment professionals have been included in all issuer engagement meetings conducted by the stewardship team. We believe that these professionals offer a unique perspective and that their inclusion in meetings may serve as a means of encouraging more open communication between issuers and bondholders. In addition to engaging individually with portfolio companies, investors, including bondholders, can participate in industry working groups and organizations that seek to develop thought leadership on emerging issues. When compared to proxy voting and stewardship activities available to holders of equity, opportunities for fixed income instruments and other asset classes are significantly less developed.

At MFS, fixed income strategies in particular represent a large percentage of our assets under management, and so we are continually seeking ways to better assert our rights as owners of an issuer's debt. In reality, however, the depth of fixed income markets generally and the nature of the typical instruments that we invest in (*i.e.*, larger debt offerings) limit our ability to influence terms or covenants. Our investment team instead focuses on reviewing prospectuses and transactional documents and engaging with management and underwriters prior to investing in order to understand the risks and terms of a debt offering. Based on this analysis, we determine if the investment is in the best long-term interest of our clients. Occasionally, however, when participating in certain debt offerings (typically smaller offerings), we do have more flexibility to assert our influence. This generally takes the form of engaging with management around a proposed waiver of a covenant or adding additional indebtedness. In all circumstances, we agree only to terms that we believe generate or preserve long-term value for our clients. Finally, in extraordinary circumstances, such as a default, we may have the ability to work with an issuer and other investors to help shape a path to recovery or the responsible disposition of the assets. Even in these circumstances, we seek to achieve, when possible, long-term

solutions that we believe benefit our clients and are reflective of the good stewardship of capital.

Engagement case study: Subsovereign debt

Environmental issues are central to the outlook of the resource-rich Australian state of Queensland. Global decarbonization efforts challenge extractive industries like coal and gas, which are integral to the state economy, certain regional and urban communities, and government finances like mining royalty revenue collections, complicating the transition away from the mining industry. Moreover, the climate change impact on the Great Barrier Reef and the tourism sector increases uncertainty around a significant source of economic activity for the state. Also, Queensland, a tropical state on a largely dry continent, is also vulnerable to a wide range of natural disasters such as bushfires, floods, droughts and cyclones.

Recently, we established a dialogue with representatives from the Queensland state government, namely the debt management office, the Queensland Treasury Corporation (QTC), on various issues, including the overall progress on climate risk mitigation. Engagement will be ongoing, with initial discussions considering the challenges as well as opportunities such as government support for renewable energy production and green industries such as solar-powered hydrogen and ammonia production in Gladstone. To be investigated by our team is the potential for further improvements in physical and institutional infrastructure in areas like water, solar and public transportation, as well as QTC's partnership with the private sector and management of its green bond issuance to facilitate funding through the capital markets.

/ RISK MANAGEMENT / 2 4
MFS Investment Risk Management Framework

Our cultural emphasis on risk management is incorporated into all facets of our investment process. At MFS, the goal is not to minimize risk but rather to understand its sources and effectively manage it. The risk management process strives to ensure that each strategy takes an appropriate level of risk that is disciplined and consistent with the investment philosophies of its mandate while also meeting long-term investment objectives. Risks impacting each strategy may come in the form of either systemic or issuer-specific factors. As a result, we take a collaborative approach to assessing and managing portfolio risk in order to ensure all types of risk are identified and managed.


SECURITY LEVEL

On a day-to-day basis, risk analysis occurs at the security level through our fundamental and equity quantitative research efforts. The fundamental analysts assess the operational, financial and valuation risk characteristics of each issuer they follow, and quantitative models use factors based on earnings momentum, price momentum, valuation and earnings quality. Careful consideration is also given not only to the evaluation of each security's appreciation potential but also to the level of downside support the team can reasonably expect when things do not develop as anticipated. Each investment team engages in a comprehensive evaluation of the risk characteristics of all investment ideas as a consideration for inclusion within their portion of the portfolio.


PORTFOLIO LEVEL

The portfolio management team uses daily exposure reports and monthly attribution reports to review the portfolio's industry and sector weightings versus the benchmark to confirm that the portfolio's positioning is consistent with the team's investment convictions and theses that result from its bottom-up fundamental research. The Investment Management Committee (IMC) reviews the portfolio risk reports monthly to ensure that our investment policies are carried out by the team.

Semiannually, portfolio management team members meet with the CIO and the co-director of Quantitative Solutions/chief investment risk officer to review various portfolio characteristics and risks inherent within the strategy in order to ensure they are consistent with the strategy. We have also recently developed a comprehensive annual portfolio evaluation that measures sustainability characteristics across a wide array of ESG metrics. These annual reviews are attended by the portfolio manager(s) of the strategy, at least one sustainability-dedicated member of our investment team and the firm's CIO.

FIRM LEVEL



MFS has instituted a comprehensive approach to risk management that is a combination of disciplined internal controls and managerial oversight. Risk policies are dictated first and foremost by portfolio limits and regulatory restrictions. But we have established an organizational structure and systems and processes for identifying current and emerging risks to our portfolios and communicating them to the investment team.

Specifically, with respect to sustainability, we consider both risks and opportunities when evaluating factors and trends, and we have implemented systematic processes designed to help our investment team manage material risks at the security and portfolio levels. As part of our systematic approach to understanding these risks and opportunities, all MFS equity and fixed income strategies are subject to annual sustainability reviews. Starting in 2020, we introduced annual portfolio sustainability reviews designed by our ESG analysts to provide portfolio managers with a comprehensive view of all of the material risks and opportunities in their portfolios based on MFS' own internal research and viewpoints. These reviews cover a wide variety of company-reported data points while also providing an opportunity for the portfolio manager to ask questions regarding a portfolio, changes in the relevant industry or broad MFS initiatives. These reviews complement both the bottom-up research being conducted across the firm.

Separately, the firm's chief risk officer and respective asset class CIOs perform a broader semiannual portfolio review of each portfolio covering a wide variety of topics, including investment risk exposures, investment philosophy and current portfolio positioning. These reviews also incorporate third-party ESG ratings and perspectives such that each portfolio's ESG profile is evaluated against that of its benchmark and ESG rating changes since the last review. Both the annual portfolio sustainability reviews and the semiannual reviews are intended to prompt additional research and collaboration among the investment team.

/ MARKET-WIDE AND SYSTEMIC RISKS / 1 4

This section provides an overview of many of the specific market-wide and systemic risks that our investment team focused on in 2022 and describes how these risks have influenced our investment and engagement processes. The consideration of these risks is additionally reflected throughout this report in the discussion of our investment, engagement and collective initiative activities. Many of the risks are discussed in further detail throughout the report.

Climate change

We believe that climate change will be a defining investment topic in the decade ahead, creating risks and opportunities for all businesses and society in general. As long-term investors seeking to allocate capital responsibly, MFS is carefully analyzing the impact that climate change is having on all companies held in our clients' portfolios, as well as on those companies being considered for future investment. We invite you to read the firm's report aligned with the Task Force for Climate-Related Financial Disclosures (TCFD) framework.

For more information on our approach to integrating the consideration of climate risk into our investment practices and our TCFD-aligned report, see Appendix 1.

A "Just Transition"

As you will read throughout this report, we have a stated commitment to mitigating climate change in line with the goals of the Paris Agreement because we view it as a universally material risk. We want to ensure our approach to climate change does not become myopic, and so we have increased our focus on topics such as the "Just Transition" as well as biodiversity loss, and what this means for us as investors. The idea behind the just transition is that meeting the goals of the Paris Agreement through various environmental objectives also requires us to think about what impact this will have on communities of people affected by the transition. Understanding these impacts will take time, as climate transition plans and decarbonization pathways are still in the beginning stages. As we seek greater disclosure from companies in these pursuits, we are also honing in on what this means for all relevant stakeholders.



Labor and income inequality

Labor and income inequality has remained a key theme since the onset of the COVID-19 pandemic, which brought to light the challenges faced by low-wage and hourly workers. In response to this, MFS analysts and portfolio managers took these actions:

- Engaged with many companies on their employee practices
- Spoke to members of multiple trade unions to obtain labor's viewpoint
- Held sector team meetings to review data on employee wages, satisfaction and other factors

Corporate culture and diversity

MFS' investment team spends considerable time evaluating the impact of corporate culture on individual companies. We have seen circumstances in which culture has clearly helped a company but also situations in which culture has apparently led to negative outcomes for a company, its employees and ultimately its stock price. We firmly believe an organization's culture is critical to its long-term success or failure. Analysis is an important part of our evaluation of corporate culture at any organization, considering factors such as employee engagement, turnover, pay, composition, diversity, gender, race and cognitive and other measures of diversity such as gender pay gap. Over the past several years, our investment team has spent a great deal of time discussing the importance and potential impact of corporate culture on sustainability. As investors, we believe enhanced transparency and disclosure is critical and can have a material impact on our investment decisions. We feel strongly that we should be willing to disclose the same data we expect our portfolio companies to disclose. Importantly, we believe this area is an ongoing journey for both MFS and our industry and though we have taken critical steps toward operating with DEI as a core priority, we recognize there is still work to be done.

Separately, an area of interest for us has been racial equity audits. Recently, shareholders have focused on these audits, which generally consist of an objective investigation into a company's practices, policies and histories to determine their impact on social issues and where there is room for improvement. Notably, in the first quarter of 2022, a financial services company agreed to a third-party audit of its \$30 billion racial equity commitment alongside other similar companies. We thoughtfully

engaged with a number of companies on this topic. We considered and voted on several shareholder proposals calling for companies to conduct and report on a third-party racial equity or civil rights audit. Although none of these proposals received majority support, the level of support received was high. We view this as a significant step in the right direction and will continue to focus on this subject in the future.

Human rights and modern slavery

Human rights–related issues continued to reflect a market-wide risk that is significant to us as investors. We continue to monitor issues in this area and play an active role in collective industry initiatives to further our analysis as we seek to shape issuer practices.

As part of our investment approach, MFS researches and evaluates a broad range of topics across security, asset class, industry, geography and other areas. These topics may include diversity and racial justice, modern slavery and child labor, income and wage inequality, supply chain labor management, health and safety (in both owned operations and supply chains), technology ethics and privacy, indigenous and local community rights, living standards, educational access and levels and the rule of law.

In conducting this research, we rely on a variety of data sources. Corporate disclosures, controversy analysis, sovereign country–level data and direct engagement with management teams and others (e.g., suppliers and sovereign issuer representatives) form the basis for much of our research; however, additional data points are also available to our investment teams to evaluate these topics. Most notably, we have evaluated data and analysis from Know the Chain, Ranking Digital Rights, Transparency International and the World Bank Governance Indicators.

An issuer’s exposure to human rights risks and opportunities varies substantially by issuer, industry and geography. For example, companies in certain industries may have higher modern slavery risks due to their use of temporary or seasonal labor or outsourcing. Separately, some countries exhibit a higher risk of modern slavery due to weak rule of law or other socioeconomic factors, which can impact both sovereign and subsovereign issues and the equities of companies that operate in those countries.

Given these complexities, MFS aims to integrate social factors including human rights risks and opportunities, alongside all other fundamental risks and opportunities, into our investment process. Actions that MFS may take to better evaluate human rights risks and opportunities include

- leveraging proprietary research produced by the firm’s internal equity– and fixed income–focused sustainability experts
- determining which issuers are likely to face modern slavery issues using in-depth security- and sector-level expertise

- evaluating the company filings, including sustainability reports, of potentially impacted companies to evaluate the strength of their efforts to manage these risks
- incorporating the views of outside organizations with expertise in this area (e.g., Know the Chain)
- engaging with company management teams and fixed income issuer representatives about human rights–related risks and opportunities
- engaging with other investors through collaborative initiatives focused on human rights (e.g., the PRI and Investors Against Slavery and Trafficking)
- modeling and valuing human rights risks identified as material to the business

Corporate tax practices and transparency

Our ESG analysts continued to work with industry groups and government representatives to emphasize the importance of transparency and fairness in global corporate tax practices. Specifically, as a result of substantial changes at a national and supranational level, as well as greater scrutiny by civil society more broadly, we have spent considerable time researching and evaluating corporate tax practices over the past decade. We believe a company’s tax practices offer an important signal regarding a management team’s and board’s risk tolerance. Examples of our work in this area are outlined earlier in this report.



MFS' commitment to well-functioning financial markets

In addition to identifying material risks that may impact our portfolio investments, we are committed to supporting and playing our part in developing efficient and fair financial markets. We believe this is an important component of being a responsible participant in the asset management industry and ultimately a good steward of our clients' capital. Our commitment in this area is illustrated by our role as a part owner of Luminex. Luminex is an equity trading venue that is owned, operated and governed by a consortium of buy-side firms to benefit the clients of the investment managers that trade on the platform. Luminex allows investment managers to source blocks of equity liquidity while minimizing information leakage and market impact, enabling participants to pass along to their clients the benefits of lower trading costs, the enhanced transparency of trading protocols and improved portfolio performance. Rather than making money, Luminex aims to operate as close to breakeven as possible while remaining financially sound and self-sustaining. We believe that the above approach has been and continues to be effective in identifying the relevant risks, including the systemic and market-wide risks discussed above and adjusting our investment process to deal with them. We believe this strikes the right balance between being structured to ensure the systematic risk analysis of each of our strategies in a uniform and consistent manner while being flexible enough to properly identify and mitigate emerging risks as they arise.

**WE ARE COMMITTED
TO SUPPORTING AND
PLAYING OUR PART IN
DEVELOPING
EFFICIENT AND FAIR
FINANCIAL MARKETS.**

Client and Industry Alignment

As important as our investment approach is our steadfast focus on creating value responsibly for our clients. This section illuminates the ways in which we have sought to service, empower and align with the needs of our clients to help them fulfill their fiduciary duties.

Client and Industry Alignment

A photograph of a wind farm at sunset. The sky is filled with vibrant orange and yellow clouds, transitioning to a darker purple and blue at the horizon. Several wind turbines are silhouetted against the bright sky, with their three blades clearly visible. The turbines are situated in a body of water, likely the ocean, with gentle ripples on the surface. The overall mood is serene and emphasizes clean energy.

Client and Industry Alignment ⁶

/ MEETING CLIENT EXPECTATIONS AND INCORPORATING FEEDBACK /

In managing our clients' assets, we believe it is critical to understand and incorporate their views in order to deliver on their expectations as they relate to investment outcomes and stewardship. Our approach, however, ultimately depends on the type of client. As reflected in the tables included in Appendix 7, we have both institutional and retail clients. For our institutional clients, we are generally able to engage in a more in-depth dialogue about expectations through assigned relationship managers and regular and ad hoc meetings to discuss our progress toward achieving goals. Additionally, clients' investment objectives, restrictions and reporting expectations are reflected in a tailored written agreement, which is updated as necessary to ensure we are meeting client needs.

To understand and satisfy the needs of retail clients investing in our retail mutual funds and other pooled vehicles, we rely on a continual dialogue with external distribution

partners. These partners are ultimately the client-facing entities for investors in our retail funds, and therefore we have assigned relationship managers for each distributor, engage in regular due diligence and conduct product discussions to elicit feedback in order to ensure we are meeting client needs. We organize and host events for both retail and institutional client bases regularly to communicate our investment capabilities and approach and to further engage with our distribution partners that provide services to these investors.

Additionally, we believe client surveys are highly effective. We use them from time to time to gather information on our clients' views and needs. Surveys are also an effective way to educate our clients on our investment and stewardship process. For example, we surveyed over four thousand retirement plan participants across the US, the UK, Canada and Australia, gaining valuable insight into the current demand and their expectations regarding the performance of investment products in their portfolios that incorporate the consideration of sustainability factors. Surveys such as these, in addition to information gathered through both institutional and retail communication channels, help to inform our decisions on what products we should offer and how portfolios are managed to meet our clients' expectations. We believe our approach in this area continues to be effective and helps us further improve our client communications and stewardship processes generally.



/ INDUSTRY PARTNERSHIPS / 10

In 2022, MFS partnered with MIT's Sloan School of Management (Boston, MA) on The Aggregate Confusion Project, a research effort that aims to improve data quality and streamline analysis of ESG-related metrics used for decision making across the investment industry.

Also during the year, we joined the Rethinking Performance program (ORP) in collaboration with Oxford University. The focus of our research is "how to engage with companies more meaningfully on hard to measure, yet important concepts such as culture and organizational purpose." The project is in its first phase and will take place over three consecutive cycles. For this iteration of the project, our focus is on developing a framework for measuring engagement, specifically climate engagement.

Eurasia Group

We co-hosted a roundtable event with the Eurasia Group, exploring the integration of ESG considerations in fixed income investing with a focus on sovereign fixed income. The purpose of the event was to understand where the industry is in terms of integrating ESG factors into fixed income investing. Discussions included current challenges faced by investors, as well as different approaches and next steps. We have published a summary of this event, which we invite you to [read here](#).

/ FIRM-WIDE REPORTING / 1 6

Client reporting update

As part of an ongoing effort to meet our clients' needs, we developed a comprehensive pilot ESG reporting package for some institutional clients. Feedback received from clients throughout the year has led to the development of our Quarterly ESG Client Reporting Project. We spent much of last year thinking about how to develop a report with a mix of elements that we feel are relevant to our investment process, meet regulatory obligations and meet clients' demands. While it is challenging to report accurately on the integration of sustainability factors into our analysis, we recognize that robust and transparent disclosure is a critical element of our responsibility to clients.

This report has been designed to help our clients understand how we are doing this and is structured into four sections:

1. Metrics, Controversies, Exposures and Ratings
2. Engagement
3. Proxy Voting
4. Appendix – extensive metrics

In determining what to include in this report, we established some core principles of good reporting. In developing this thorough but concise report, we considered issues such as the quality of data, the decision-utility of metrics and striking the right balance between forward-looking and backward-looking or qualitative and quantitative elements. Examples of metrics that we expect to report on for a portfolio include investments in companies with Science Based Targets in place, board gender diversity data, ESG ratings (MSCI, Sustainalytics, Clarity AI), select engagement and voting data and more. As ESG data continue to improve and the needs of our clients and investors change over time, we expect our reporting to evolve.

Custom reporting

In addition, we continually seek to ensure we remain attuned to the specific needs of our clients outside of our standard reporting efforts, which we have described above. While we think critically about the utility of the metrics we choose to report on, we recognize that our clients have varying priorities and reporting demands, which we seek to adhere to provided we have the data available to do so. As a result, enhancing our custom reporting capabilities has been an ongoing focus for us. In addition to expanding relationships with data providers, we also spend a great deal of time ensuring we gain a deep understanding of topics that are of emerging client interest. We do this not only because it is an essential part of our fundamental research process, but also to ensure that we meet our clients' reporting requirements in a manner that is thoughtful, robust and valuable to them.

Ongoing reporting

MFS, upon request, shares information on our stewardship-related activities as well as portfolio-level data and metrics (including ESG-related attributes) with our clients. We publish this report and our Quarterly Stewardship Reports summarizing developments in our approach to sustainability, as well as reports on our proxy voting and engagement activities each quarter and year. In 2023, we published the first iteration of our Net Zero Progress Report and the second version of our firm-wide TCFD-aligned report. Additionally, we report on our sustainability efforts in accordance with collaborative initiatives that we join, such as the PRI. We also regularly publish thematic research performed by our investment team and sustainability thought leadership, which can be found on our website: www.mfs.com/sustainability.

In 2021, we published the first episode of the *MFS All Angles* podcast series. Each episode features senior members of the firm sharing perspectives and insights on various topics relating to sustainability. This series continued in 2022 with a total of nine episodes. It explored topics ranging from how nature affects capital allocation to the power that bondholders have through engagement with corporate and sovereign issuers. In October, we concluded the end of a successful season and have spent the rest of the year looking to evolve and improve the podcast in its second season starting in 2023. The podcast is available on our website for investment professional use only, Apple Music and Spotify.

Our clients who have delegated to us proxy voting authority receive periodic reports with respect to our proxy voting activities for their portfolio. We also publicly disclose on a quarterly basis our firm-wide voting records. These are available on our website (mfs.com).

/ AGILE ESG TEAM / 2

Client reporting update

We 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. Team members 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. Some of their major projects have consisted of building out our engagement and sovereign data dashboards. During the year, the team focused on the following:

- *Regulatory reporting* — The team completed the initial development of the Sustainable Finance Disclosure Regulation (SFDR) dashboard and are currently focused on data feed from our newly onboarded third-party provider, Clarity AI.
- *Automation and efficiency* — The team has been continually working on updating and automating some of our in-house ESG research and data and moving this research and data from Excel to Tableau.
- *Net zero analysis* — The team is working on implementing front end capabilities to allow our investment team to input qualitative views on our portfolio companies' net zero alignment progress.

/ ASSESSING EFFECTIVENESS / 1 6

One of the benefits of a long-term sustainability and stewardship program is that it gives us the ability to continually assess and evolve our processes to better serve the interests of our clients. Maintaining a dialogue allows us to ensure we stay apprised of, and respond appropriately to, our clients' needs.

One way to assess our effectiveness in serving the interests of our clients is to reflect on the enhancements we have made throughout the year. Many of these are discussed at length in this report, but we feel two are particularly helpful:

- *Investing heavily in sustainability data and tools* — Expanding our relationships with existing external data providers and investing in new ones, as well as developing proprietary tools in-house, has enriched our research capabilities, which could lead to more thoughtful investment decisions for our clients.
- *Broadening our reporting capabilities* — We have been developing our reporting capabilities for our clients in an effort to be more transparent in our investment activities.

Another effective assessment tool is client feedback. We regularly attend meetings with clients and strive to be available to them whenever they need us. We are also receptive to ad hoc client feedback and questions.

For example, while determining our reporting and research priorities during 2021 and 2022, we encountered an Asian client that asked us to make natural capital considerations a more central focus in our work. Insights such as these are very valuable to us as we try to meet the needs of our clients.

More broadly, we have welcomed the industry's and our clients' demand for greater transparency and disclosure surrounding sustainability topics. This is an area we continue to focus on, and we recognize the growing need for asset managers to be authentic and transparent in their business activity. As a result, many of our actions taken this year have been with this consideration top of mind. Examples include our reporting initiative, our participation in WDI and our Proxy Voting Policy update, which are all detailed in this report.

/ CLIENT ALIGNMENT / 6

As active managers, we are expected to ensure our investment decisions align with the long-term interests of our clients. As we have mentioned, we believe thoughtful engagement alongside robust, in-depth research is the most effective way to achieve this goal. An important part of this commitment is ensuring that our process is aligned with our clients' investment and stewardship policies. The failure to do so would render our services useless.

As discussed above, in addition to frequently discussing issues with our clients, we have put comprehensive compliance and risk review systems in place to ensure that we adhere to our clients' expectations. Because we take meeting our clients' expectations seriously, we did not, as far as we know, intentionally deviate from any client's stewardship and investment policies during the year. With respect to our investment activities, we do not typically use investment screens in managing our strategies unless asked to do so by a client or required to do so by a regulation. Any investment restrictions we do put in place, however, are monitored and tracked through our centralized investment compliance platform. With respect to our proxy voting activities, we vote according to the MFS Proxy Voting Policies and Procedures or vote proxies not in accordance with our policies only if we receive written instructions from our clients. Whenever a client's expectation is not satisfied, we do whatever we can to remedy the issue.

/ LONG-TERM INVESTMENT HORIZON / 1

As we state at the beginning of this report, we invest our clients' assets with a long-term view and do not generally focus on or chase short-term investment performance. We focus instead on the long term because we believe that this approach reflects what it means to be a good steward of our clients' capital. While we do not set specific investment horizons, our investment team generally views a full market cycle as a seven-year holding period. Ultimately, our investment horizon depends on a number of factors, including, but not limited to, a client's stated expectations and goals, the asset class and overall market conditions.

Corporate Sustainability at MFS

We aim to hold ourselves to the same standard we hold the businesses owned in our portfolios. As a result, we recognize the importance of implementing our sustainability philosophy in our own operations. In this section of the report, we illustrate our efforts to better serve our employees, our communities, the environment and other stakeholders as we seek to foster a workplace reflective of our core values.

Corporate Sustainability at MFS



Corporate Sustainability at MFS

/ OUR CORPORATE STRUCTURE AND GOVERNANCE / 1 2

MFS is a majority-owned subsidiary of Sun Life of Canada (US) Financial Services Holdings, Inc., which in turn is an indirect majority-owned subsidiary of Sun Life Financial, Inc. (a diversified financial services organization). MFS has been a subsidiary of Sun Life since 1982. While the firm operates with considerable autonomy, this partnership provides significant resources, stability and structure.

The firm currently operates from offices located in 20 countries around the globe, including nine investment centers — Boston, Hong Kong, London, Mexico City, São Paulo, Singapore, Sydney, Tokyo and Toronto. In everything we do, we believe that harnessing the power of diverse, collective intelligence is an important determinant of better outcomes. Collaboration, discussion and debate are therefore a significant part of how committees operate at MFS. Our senior leadership comprises the MFS Management Committee, which oversees the firm. This committee is responsible for setting strategic direction, determining the annual operating and capital budgets, establishing priorities for key investments in the business, recommending major policy decisions to the company's board of directors, developing new projects and performing corporate planning for the firm and its subsidiaries.

Under the MFS Management Committee sit four supervisory committees: the Investment Management Committee, the Enterprise Risk Management Committee, the Employee Conduct Oversight Committee and the Internal Compliance Controls Committee. There are over 20 other committees helping the firm in areas like strategy, risk management and technology. The committees span departments and geographic locations and play a crucial role in guiding and protecting the firm. Governance is an important function, but the committees also gather input. They seek consensus when it comes to strategic decisions.

The committees play an important role in the culture we strive to maintain and in ensuring the transparency of the firm's decision-making process.

Our Impact on the Environment

MFS has long been committed to improving the environmental outcomes of its business operations. This focus has resulted in a variety of initiatives aimed at reducing our impact on the environment. Since 2012, MFS's headquarters in Boston, Massachusetts has met LEED Gold standards, and when possible we have applied similar measures and standards across our global footprint when renovating existing offices or building out new space. Over the past decade, we have also implemented a wide variety of programs such as server consolidation, low-energy lighting and appliance use, expanded recycling and pull-printing to help reduce waste and energy consumption.

In 2020, to accelerate this work, we established a global, cross-functional environmental impact working group to improve our ability to understand, measure and reduce our overall environmental footprint. The group was tasked with developing goals and initiatives to reduce our environmental impact and continued this work throughout 2021. As part of this effort, and in partnership with our parent organization, Sun Life, we adopted a carbon neutrality plan. This program ensured that MFS achieved carbon neutrality in its business operations in both 2021 and 2022. The working group continues to examine all aspects of MFS business operations to identify where improvements can be made in measuring and further reducing emissions and resource consumption, including better data administration, waste management and energy efficiency, and working with our suppliers and vendors on the same. We are currently undertaking pilot programs in these areas. This is discussed later in our TCFD-aligned report, which you can find in Appendix 1.

/ INTERNAL SUSTAINABILITY TRAINING / 2

Beginning in 2020, members of our sustainability strategy team launched an internal training course that offered all MFS employees the opportunity to deepen their understanding of sustainability-related topics and MFS' investment ethos. As part of its annual review process, the course was updated and relaunched in 2023 to reflect new developments in the rapidly evolving space.

The course is a part of our internal training program rollout and is designed to enhance employee understanding of important sustainability topics, deepen our expertise on how these topics are relevant to the firm and empower all MFS employees to better understand how sustainability ties into their daily work. With members of the distribution team particularly in mind, the course was structured to help inform conversations with clients and other stakeholders on important elements of sustainability given its strategic importance.

The course includes both introductory and advanced learning tracks covering a range of topics as they relate to the financial industry and the world. It also conveys detailed information about MFS' approach to sustainability and stewardship, and makes use of presentations on evolving sustainability concepts, trends and research. Since its launch in 2020, over 750 MFS colleagues have signed up for the course, which takes about 10 to 15 hours to complete.

We are excited to announce that the 2023 relaunch of our internal curriculum will include access to a platform of carefully curated learning resources for select members of the distribution team. Set to roll out in Q3 2023, this best-in-class platform houses a comprehensive library of content on a diverse range of global sustainability topics. The onboarding of this provider will afford on-demand access to information on rapidly evolving areas like regulations and climate science.

In 2022, we continued our monthly webinar series, *Strategic to Tactical*, which creates a forum for internal sustainability-related discussions across our distribution and our investment teams. The purpose of this series is to help employees and clients better understand our investment process by inviting sector leads or strategy experts to speak about sustainability in moderated sessions. Members of our investment team frequently volunteered as speakers to help bridge the gap between sustainability theory and practice by demonstrating why sustainability is a key component of our fiduciary duty. Sessions during the year focused on several topical issues, including ESG in technology, ESG in emerging markets debt, diving into the S of ESG and issuer

engagement and proxy voting. In addition to our speaker series, we hold quarterly "Ask Me Anything!" sessions in which employees can fill in any knowledge gaps and clarify their understanding of sustainability topics.

We look forward to seeing what the 2023 season of our Strategic to Tactical series has in store for us!

Sustainability Speaker Series

As part of our ongoing collaboration efforts, we have continued our program of monthly sustainability seminars for the entire investment team. The program was launched in early 2021 and has featured a wide range of external presenters, including asset owners and managers, academics and other industry stakeholders who have an interesting perspective on sustainability-related issues. The speakers included these:

- A *key voice from the Interfaith Center on Corporate Responsibility (ICCR)* in the global anti-Apartheid divestment movement in the 70s and 80s and more recently as an advocate for improved climate and lobbying disclosure
- A *thought leader from Forest 500*, who presented on natural capital risks to global food supply chains, which built on the natural capital research that our investment teams have developed throughout the year
- A *professor from the University of Tokyo*, who spoke about the importance of board diversity as it becomes a pervasive issue in Japan
- A *board member from a multinational oil and gas company*, who spoke about the challenges faced and progress made on the effort to reduce the company's carbon footprint

Human rights policy

Last year, we began developing our human rights policy, and it was finalized this year. [The policy](#) outlines our commitment to the protection and preservation of human rights across all areas of our business in accordance with the United Nations principles. Our commitment to human rights is embedded in the culture and values that define our company, and we strive to maintain an environment of respect for all people. MFS respects human rights in our investment approach and in relation to our employees, suppliers, customers and clients. As part of our approach to the issue, we have committed to identifying the relevant topics, and we hope to persuade stakeholders to mitigate and address any identified human rights risks and strengthen our human rights practices.

/ DIVERSITY, EQUITY AND INCLUSION AT MFS / 2

Diversity, Equity and Inclusion (DEI) is among our most important endeavors. Not only does DEI shape the way we operate as an organization and align with our clients, but it also drives us to support social justice pursuits, both in our communities and globally. Importantly, our progress on this journey starts with transparency and accountability.

DATA AS OF DECEMBER 31, 2022

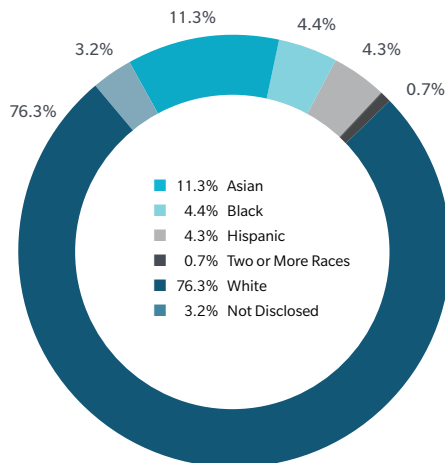
Global snapshot 2022

Increasing our focus on data will help us measure, monitor and make greater progress on building a diverse workforce.

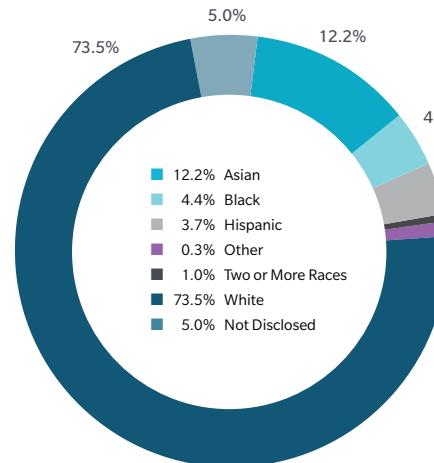
/ TOTAL FIRM - GENDER /



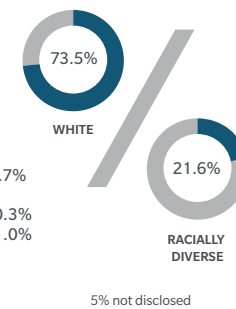
/ US - RACE/ETHNICITY /



/ US, UK AND CANADA - RACE/ETHNICITY /



/ TOTAL FIRM - RACE/ETHNICITY (US, UK AND CANADA) /



BUILD A DIVERSE WORKFORCE AND LEADERSHIP PIPELINE

Our focus on talent is about building a more diverse workforce, developing diverse leaders and maintaining an employee population that represents the world around us. We're particularly focused on growing and developing our emerging and entry level talent pipelines.

Talent

/ THE BEST TALENT IS DIVERSE TALENT /



Strategically source diverse talent through external partnerships and fair internal hiring practices



Target growth opportunities to each of our diverse populations and expand our external partnerships to support these efforts



Operate in line with a data-driven recruiting strategy that will allow us to set goals, analyze our progress and create targeted plans to build and retain a diverse workforce



Create a transparent, consistent and equitable career path process to encourage growth at all levels of MFS

/ DIVERSIFYING OUR TALENT PIPELINE /

- Built data-driven diversity recruiting strategy
- Engaged with external partners to attend in-person and virtual career fairs targeting diverse groups. Examples include the Massachusetts Conference for Women, DICE Diversity in Tech and Recruit Military. We also hosted internal workshops for our community and national partners to provide insight into MFS and the industry for candidates at all levels.
- Created more entry level roles across the organization to develop diverse populations more organically, particularly in our global technology department
- Leveraged our employee resource groups (ERGs) to support our diverse recruiting initiatives by utilizing their broad networks to access more diverse talent pools and nominating ambassadors to assist with career fairs and workshops. Currently our ERGs (Mosaic, PRIDE, WE and YPN) serve people of color, the LGBTQ+ community, women and young professionals.

/ DIVERSITY-FOCUSED ACTIVITY / 2 10

MFS is committed to advancing diversity, equity and inclusion (DEI) efforts in our industry. We participated in the shaping of the CFA Institute DEI Code via the open review and comment period in 2021, and officially signed on in 2022. The objectives of the code are these:

- Meet the industry where it is by defining the current state
- Define key principles for firms to implement to drive improvement from a realistic foundation
- Provide a metrics-based reporting framework to produce meaningful results

Signatories commit to six defining principles to drive cultural change. The CFA Institute will continually support and monitor progress, which will provide a framework to measure and maintain momentum.

We also became a signatory of the CEO Action Pledge for Diversity and Inclusion, which we believe demonstrates our ongoing commitment to DEI principles and driving accountability. Through this initiative, CEOs pledge to act on supporting a more inclusive workplace for employees, communities and society.

MFS is also a member of Nicsa's Diversity Project North America, which aims to speed up the widespread adoption of DEI, which, it is hoped, can be achieved by industry participants pooling resources to address the challenges we all face.

Workforce Disclosure Initiative

Over the past several years we have been partnering with ShareAction, a UK-based nonprofit whose mission is to work with investors to engage with companies and encourage them to change unsustainable corporate practices. ShareAction has developed a robust questionnaire for operating companies, the Workforce Disclosure Initiative (WDI), which covers a range of workforce-related topics. MFS works with ShareAction to encourage portfolio companies to participate in WDI by completing the questionnaire and publishing their results. The firm has committed to doing the same and has completed and submitted responses to the "core questions" of the questionnaire. We believe the WDI will continue to help standardize industry metrics on DEI.

We know we still have a lot of work to do — and we will do it together. As we approach our 100-year anniversary, we can take pride in both the inclusive culture we've built and our firm-wide commitment to making it even better for centuries to come. We encourage you to read our full [MFS 2022 Diversity Report](#).



/ CORPORATE CITIZENSHIP /

Supporting Diverse and Underserved Communities

As a firm committed to a culture of giving, MFS supports many organizations working in underserved communities — both financially and through the generous volunteerism of our employees. We participate in programs that empower our communities in key areas including health, education, civic engagement, the environment and social justice.

Many of the organizations we support have been our partners for years. We believe that if we are going to support underserved populations, it is important both to have long-term partnerships and to forge new ones when we see an opportunity to make a difference.

As we look ahead, our corporate citizenship director envisions continuing these undertakings:

- **Fortifying Partnerships** — Strengthening partnerships with organizations that tie directly back to our purpose and engaging our employees in volunteer opportunities that are meaningful to them
- **Expanding Our Outreach** — Working with our recruiting team to extend our outreach to a more diverse field of candidates, focusing on underserved communities
- **Leveraging ERG Partnerships** — Supporting community organizations through our ERGs, potentially helping to generate more support for causes that employees' support
- **Responding to Global Crises** — Helping out with humanitarian needs arising from crisis situations by taking such actions as donating \$100,000 to the Red Cross in 2021 to help fight the COVID-19 crisis in India, \$100,000 in 2022 to aid in relief efforts and provide assistance on the ground in Ukraine and \$100,000 in 2023 to assist with relief efforts in the wake of the recent earthquake in Turkey and Syria

**SUSTAIN AND
ENHANCE AN
INCLUSIVE
WORKPLACE**



Appendix

- 78** Appendix 1: MFS Strategic Climate Action Plan (TCFD-aligned)
- 101** Appendix 2: Key Staff
- 110** Appendix 3: MFS' Collaborative Organizations and Initiatives
- 113** Appendix 4: Stewardship Conflicts of Interest
- 116** Appendix 5: Stewardship Policies and Policy Oversight Program
- 118** Appendix 6: Stewardship Vendor Management Program
- 119** Appendix 7: MFS AUM Breakdown by Category
- 120** Appendix 8: Proxy Voting
- 122** Appendix 9: Companies Engaged

Appendix

2022 MFS[®] Strategic Climate Action Plan

In line with the Task Force on Climate-Related
Financial Disclosures (TCFD)

RESPONSIBLY
ACTIVE
FOR A
CENTURY

▲▲ At MFS, our purpose is to create long-term value by allocating capital responsibly. ▼▼



Mike Roberge
in letter to clients, January 2021

Allocating capital responsibly



▶ Click on the content headers below or in the tabs above to take you directly to the section.

/ TABLE OF CONTENTS /

- 2 Overview
- 3 Governance
- 5 Strategy — Investments
- 10 Net Zero Commitment
- 11 Strategy — Business Operations
- 13 Risk Management
- 14 Metrics and Targets — Investments
- 15 Metrics and Targets — Business Operations
- 16 Road Map for 2023
- 18 Conclusion

Overview

Given recent and proposed regulatory changes and other factors, climate change is likely to be a defining investment topic for the decades ahead, creating financially material risks and opportunities for most issuers. For example, we recognize the Paris Agreement, which has been signed by 195 parties, has had, and likely will continue to have, an influence on policy development. This in turn impacts the financial outcomes for many corporate and sovereign/sub-sovereign issuers. As long-term stewards of capital, we aim to evaluate and manage these material climate-related risks and opportunities in our portfolios.

Asset managers play a critical role in encouraging the issuers that we invest in to mitigate risks and properly address opportunities, including those related to the transition to a lower-carbon economy. As long-term investors seeking to allocate capital responsibly, we can use a variety of tools to increase the rate of change, which we believe will improve investment results and create value for our clients.

Our journey with the TCFD began in 2019 when we first became a user signatory. However, researching climate risks and opportunities — for example, incorporating carbon emissions data into certain investment analyses — has been a part of our investment process for many years. To bolster our understanding of this topic, we joined the Carbon Disclosure Project (CDP) in 2010, and we have joined numerous other industry initiatives over the years, such as the Climate Action 100+, the CDP's Science-based Targets Campaign and the Net Zero Asset Managers Initiative.

Separate from our investment activity, MFS has reduced our own carbon footprint, and we achieved carbon neutrality in 2021.

Throughout the remainder of this report, we will share our process for integrating financially material climate-related risks and opportunities into our investment process. We will also provide additional information regarding our corporate activities in this area.



Governance

The MFS Sustainability Executive Group (SEG) oversees MFS' overall sustainability strategy. The SEG includes our CEO, president, CIO, chief sustainability officer, head of client strategy and sustainability, general counsel and other senior leaders directly responsible for the integration of sustainability across MFS. The SEG meets at least monthly to

- develop long-term sustainability corporate strategy, including on climate change related issues
- delegate to governance committees and other working groups and oversee the implementation of that strategy
- resolve any issues of prioritization and resource allocation for sustainability-related projects

Although the SEG has ultimate oversight and responsibility for sustainability at MFS, the firm has also established subcommittees and working groups dedicated to the implementation of specific aspects of the sustainability strategy.

Currently, there are three distinct governing bodies under the SEG that oversee our sustainable investing activities: the MFS Investment Sustainability Committee, the MFS Corporate Sustainability Committee (formerly the MFS Responsible Investing Committee) and the MFS Proxy Voting Committee.

The MFS Investment Sustainability Committee, formed in 2021 and chartered on February 17, 2022, includes the firm's chief investment officer, chief sustainability officer, director of global stewardship, chief investment officer – Global Fixed Income, ESG analysts and other senior investors. Its primary purpose is to guide and accelerate the implementation of sustainability practices across the firm. Specifically, the committee

is accountable for defining and verifying execution and implementation of MFS' ESG investment strategy and policies related to engagement, the integration of ESG considerations into investment decision making and our adherence to stewardship codes, as well as maintaining the MFS Policy on Responsible Investing and Engagement.

The MFS Corporate Sustainability Committee, formerly known as the MFS Responsible Investing Committee, was established in 2009 and chartered on January 1, 2022. Its members come from across MFS and include the firm's head of Client Strategy and Sustainability, president, director – Enterprise Risk Management, and the Head of Compliance - Americas, along with senior investment officers and legal personnel. The committee is responsible for defining and verifying the execution and implementation of MFS' client and corporate strategy and policies, including those related to climate and diversity, equity and inclusion matters, membership in groups that have client or corporate implications, and client and regulatory expectations regarding disclosure and reporting on sustainability-related matters. Additionally, the committee monitors MFS' adherence to ESG-related regulatory matters and external commitments, such as the Principles for Responsible Investment (PRI).

The MFS Proxy Voting Committee, established in 2005, includes senior leaders from our Investment, Legal, Compliance and Global Investment Operations departments, including the chief sustainability officer and director of global stewardship. Its purpose is to establish proxy voting engagement goals and priorities and to oversee the administration of the MFS Proxy Voting Policies and Procedures. It is responsible for promoting engagement with investees or other investors regarding various financially materially topics.



/ SUSTAINABLE INVESTMENT STEERING GROUP AND THEMATIC WORKING GROUPS /

Our investment team has established the Sustainable Investment Steering Group, which includes members from across asset classes and investment styles. The purpose of the group is to ensure that we are collectively fulfilling our stewardship obligations by engaging with our investee companies and issuers.

To support this effort, the steering group formed four working groups to lead efforts related to key sustainability pillars: climate change, societal impact, governance and sovereign risk. Each group includes a cross-section of investment team members, including specialists and generalists from fixed income and equity, ESG analysts and stewardship professionals. The purpose of these groups is to stimulate discussion across the investment team and develop practical frameworks designed to inform our investment decision-making process and corporate engagement strategy in these areas.



every member of the investment team is fully committed to MFS' sustainability goals



every investment decision is made only after the proper consideration of material factors



we are collectively fulfilling our stewardship obligations by engaging with our investee companies and issuers

Strategy – Investments

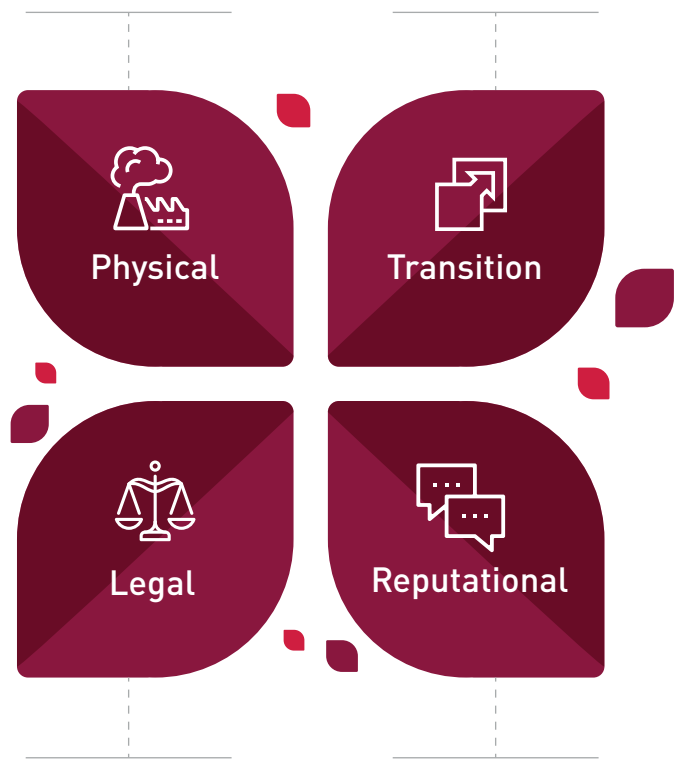
Climate change and regulations associated with climate change are materially impacting many businesses’ revenue growth, margins and returns, cash flows, capital expenditures and valuation. These impacts are arising due to regional and national regulations (e.g., carbon prices and taxes), changing consumer expectations and increased demand for lower-impact products and services, physical disruptions caused by a changing climate and increased divestment/investment by various investors (other than MFS) based on factors like sector/industry or the companies’ perceived impact on and preparedness for climate change. As long-term investors seeking to understand the duration and stability of financial returns, we are assessing and managing this topic at both the issuer (company, sovereign and subsovereign) and portfolio level.

/ ISSUER AND INDUSTRY ANALYSIS /

As with all risks and opportunities, our assessment of environmental issues such as climate change begins with in-depth fundamental issuer and industry analysis. Our investment team has conducted a substantial amount of research related to the impacts of climate change. It has been shared in sector team discussions, regional investment meetings, thematic presentations and one-on-one interactions. The research has covered a wide range of industries, from the highly affected energy, utility and industrials sectors to other industries increasingly impacted by climate change (e.g., real estate, insurance, consumer staples).

Our work has focused on understanding risk in the four areas shown in the illustration to the right.

- | | |
|--|--|
| <p>Risks</p> <ul style="list-style-type: none"> ▪ Rising sea levels ▪ Storm frequency <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Prevention, maintenance, design | <p>Risks</p> <ul style="list-style-type: none"> ▪ Technological/Regulatory ▪ Asset stranding <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Direct ▪ Indirect |
|--|--|



- | | |
|---|--|
| <p>Risks</p> <ul style="list-style-type: none"> ▪ Legal liability regarding climate impacts <p>Opportunities</p> <ul style="list-style-type: none"> ▪ N/A | <p>Risks</p> <ul style="list-style-type: none"> ▪ Consumer/Investor stigmatization of certain industries <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Innovators gain share |
|---|--|

Our investment staff uses both proprietary and third-party tools to monitor data on ESG factors relevant to each security. Over the past several years, our efforts to enhance our ESG data integration strategy have advanced substantially. We have broadened the amount of issuer reported data available to the team and improved the entire team's access to that data. We have also substantially enhanced our systems for capturing and escalating insights generated during our engagements, which form an important part of our climate research and investment decision making process. To house our proprietary ESG analysis and relevant issuer-reported and third-party data, MFS maintains easily accessible ESG hubs for issuers within our investment research system. Notes written by our analysts and portfolio managers tagged as containing ESG or engagement content are automatically linked, enabling the broader team to quickly identify and evaluate internal viewpoints on material factors impacting the issuers they cover or hold in a portfolio. Issuers' ESG hubs also include our proprietary ESG "sector maps" for the industry most relevant to its business. MFS' sector maps outline the key environmental and social issues we believe are most material to the industry in which an issuer operates. They include an overview of the topic (including key data points to analyze), including the magnitude of the risk or opportunity and guidance on addressing the issue during company engagements.

Our investment team has also developed a proprietary dashboard that can instantly display a wide variety of issuer-reported data and other insights for up to 200 issuers simultaneously, including data associated with climate commitments, emissions, water usage, diversity, injury rates, employee attrition, data security and bribery and corruption practices, executive compensation and governance information, audit quality and controversies.

/ CLIMATE RELATED SCENARIO ANALYSIS – SECTOR, ISSUER AND PORTFOLIO SPECIFIC /

As we are all aware, the future is uncertain. Although we believe that climate regulations and other related factors are likely to materially impact many of the issuers we own, there is substantial uncertainty as to the magnitude and timing of changes, particularly when considering the differing speed of action in various regions of the world. As a result, our investment team has sought to evaluate how different climate outcomes impact the issuers they cover or own.

Historically, this process of evaluating various potential outcomes, often referred to as scenario analysis, has been issuer-specific in nature, taking different factors into account based on the issuer being researched. Our view is that this bottom-up process of considering different future states for the issuers we own should always be the primary way in which we evaluate climate risk and opportunity.

In 2023, we are planning to further develop our internal views and positions on existing scenarios produced by organisations such as the International Energy Agency (e.g. STEPS, ADS and NZS), the Network for Greening the Financial System (orderly and disorderly scenarios) and other independent research organisations. MFS appreciates that different scenarios and temperature pathways aim to provide context for potential future states, but are not forecasts. As a result, we plan to focus on connecting cross-sectoral issues such as hydrogen and battery storage, carbon pricing and carbon off-setting, and fossil fuel demand and supply, among other topics and technology pathways. Our hope is to test our investment theses by evaluating the different assumptions and outcomes in these scenarios. We intend to build a process where future upwards and downwards revisions within scenarios and sectoral pathways are systematically taken into consideration as part of our overall investment approach to protect and grow our clients' assets.

Furthermore our work will further incorporate increasing governmental regulation as well as changes to countries' climate change blueprints, also called National Determined Contributions (NDC) with a particular focus on sovereign bond assessments.

Over the past few years a significant number of third party tools have become available that purport to allow an investor to evaluate the impact of different climate scenarios on issuers or portfolios. We are not yet convinced that these tools offer sufficient and repeatable insights beyond what our team is already generating based on our bottom-up research process that incorporates our global insights. Most notably, our concerns with these tools include the following:

- **Transparency**—Although each provider offers a certain amount of detail on their model, there are many assumptions that need to be built into the tool. It is often unclear how these assumptions influence the outcomes presented. For example, our trial of one tool led to two outcomes for a single company based on whether the company’s carbon targets were included in the analysis. If those targets were not included, the tool predicted a 50% decline in the value of the company. When targets were included, the tool predicted a 50% increase in the value of the company. This increase was based on various non-transparent assumptions, such as the rate of private company failure in the industry.
- **Illusion of specificity**—Investing is a complex process that requires a great deal of subjective decision making. The process requires data as an input, and company-reported data is often valuable in making those subjective decisions. As the data used by an investor strays further from company-reported data and moves further out into the future, we need to increasingly recognize the limitations of that data as a quality input. As noted above, climate scenario analyses are highly complex and require many forecasts, including but not limited to commodity prices, mix shifts in various types of energy, market share changes at the industry and company level and costs related to carbon taxes and regulations. Each of these individual forecasts must be generated over not just years but decades. Despite that fact, these tools generate value impacts to two decimal places, which we believe creates an illusion of specificity that is unrealistic to rely upon.
- **Highly generalized assumptions**—As would be expected based on the significant amount of research being conducted by our global team, we have detailed viewpoints on many climate-related factors. For example, we have views regarding the elasticity of demand for various company’s products and services, which will influence a company’s ability to pass on climate-related costs that may arise from regulation. Most of the third party climate scenario tools only allow the user to flex a few key variables, which is insufficient in creating an output that is more tailored to the likely outcomes for specific issuers.
- **Simplification**—Although we want to avoid the illusion of specificity when considering long term impacts of climate change, we also need to avoid the excessive simplification that we have often found these models employ. For instance, one provider we have recently reviewed uses a single “business-as-usual” forecasted revenue growth assumption of 3% for all companies. This kind of simplification is as concerning as the overly specific forecasts that are integrated elsewhere.
- **Training requirements**—These third party models and tools are incredibly complex for all the reasons noted above. The time required to train our global analyst team to not only use them, but to use them properly, would be enormous. Given the lack of value we see in the output today, we do not believe our clients would benefit from our team taking its focus off the ongoing, high value proprietary climate and other research being done across MFS to learn a tool with limited value add for a detailed, bottom-up investor.

Importantly, we continue to do two things in regards to scenario analysis:

First, as noted above, we are evaluating ways in which we can develop in-house climate scenarios and sectoral pathways that will enable the investment team to coalesce around key variables and tipping points without creating the illusion of specificity.

Second, we continue to evaluate third party scenario analysis tools. We trialed and evaluated another well-known provider in 2022, although we found the same concerns as those shared above. Yet we will continue to engage with that provider and others to assess the ways in which these tools can assist our investors. If and when we believe these tools have progressed to the point where they offer quality, repeatable insights, we will integrate them thoroughly into our global investment process.



PORTFOLIO ANALYSIS

In addition to the company-specific research outlined above, MFS has used carbon intensity analysis and otherwise sought to determine the strength of individual company carbon reduction targets in order to assess the climate risk of various portfolios relative to their benchmarks. We have also developed tools that allow our portfolio managers to understand the percentage of companies in their portfolio that disclose carbon data and have implemented a net zero or science-based target. Importantly, however, our portfolio managers' evaluation of their portfolios' climate risks are generally formed based on the detailed, bottom-up research and engagement being conducted by both our analysts and portfolio managers.

Additionally, climate-related risks and opportunities feature in our regular portfolio sustainability risk reviews.



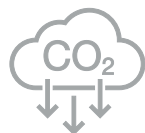
SOVEREIGN ANALYSIS

Climate change can pose material risks to sovereign debt due to its impact on national expenditures associated with disaster recovery from extreme weather events or preparedness through climate change mitigation and adaptation projects. Emerging market countries are particularly vulnerable since they often lack capital or have higher funding costs — risks added to the numerous risks they already face. Many of these countries could face food insecurity due to the impact of climate change on their own agricultural production and the price of imports. Our investment team members are increasingly focused on better understanding environmental risk in sovereigns and its complex association with fiscal and monetary conditions, which in turn affects bond yields and credit ratings.



GREEN AND THEMATIC BONDS

We are seeing more issuers such as companies, countries and subsovereigns come to the market with green bonds. The proceeds of many of these bonds are earmarked for environmental projects to combat climate change across various categories such as alternative energy, green buildings and infrastructure, water and waste management and environmental remediation. We purchase green bonds along with traditional bonds from various issuers in our fixed income portfolios based solely on our analysis of the risk and return potential of these instruments and continue to account for the benefits of holding them.



ENGAGEMENT

MFS regularly engages with our investees to inform our understanding of the materiality of the risks and opportunities arising from climate change and to advocate for improvements in governance and disclosure. Over the past several years, we have seen a significant increase in shareholder resolutions seeking increased disclosure around the financial impact of climate change and the long-term implications of a transition to a low-carbon economy. MFS has supported most of these resolutions, as we believe disclosure is necessary to understand the financial materiality of the various climate risks and opportunities facing the issuers we own on behalf of our clients.

As a means of enhancing our investment decision-making process, we actively participate in industry initiatives, organizations and working groups that seek to improve and provide guidance on corporate and investor best practices, sustainability and proxy voting issues. MFS has joined a variety of organizations and initiatives that promote and coordinate collaborative engagement on climate change, including the Principles for Responsible Investment (PRI), the CDP and the CDP Science-Based Targets Campaign and others.

MFS is an active participant in six CA100+ company engagements, and we are encouraging our portfolio companies to enhance climate disclosures to aid in our analysis and develop and carry out a science-based emissions reduction plan to help mitigate investment risk.



Net Zero Commitment, Target and Approach

In July of 2021, MFS joined the Net Zero Asset Managers initiative (NZAM). As a signatory to NZAM, MFS is committed to supporting the goal of achieving net zero carbon emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degree Celsius.

Our approach to achieving net zero alignment is founded upon engagement, not exclusion. It is our belief that alignment can be effectively and constructively achieved by engaging with companies we invest in across relevant industries and sectors to transition in line with significant decarbonization efforts of the global economy to reduce the overall climate-related financial risks within our clients' investment portfolios. Therefore, we believe that it is in the best interest of our clients and aligned with our purpose of creating long-term value responsibly. In alignment with our investment approach, we have made the following targets publicly available in June 2022:

Our in-scope assets currently include all listed equities and corporate credit which, at the time of writing this report, are approximately 90% of assets under management. We are planning to ratchet up our in-scope assets over time to include sovereign and municipal bonds.

We have developed a sectoral engagement program which will focus on testing how well aligned companies' climate transition plans are with a 1.5 degree temperature pathway whilst understanding issuer specific risks and opportunities.

Our NZAM related engagements are prioritized based on a number of indicators of the materiality of the issuer to MFS' NZAM goals. These include total firm position size across asset classes, the latest analyst rating, proportion of ownership (in equity), sector, exposure to transition risk, emissions and the current status of net zero commitments and interim targets.

90%

*of in scope assets under management considered
net zero aligned or aligning by 2030*

100%

*of in-scope assets under management
considered aligned or achieving net-zero by 2040*

100%

*of assets under management considered
'achieving net zero' by 2050*

Strategy – Business Operations

MFS has long been committed to improving the environmental outcomes of its own business operations. This focus has resulted in a variety of initiatives to reduce our impact on the environment.

In 2008, MFS launched a program called “A Green MFS” aimed at improving our environmental footprint. The initiative included an employee outreach program that gave all MFS employees a forum to suggest actions that would help us become a more environmentally sound company. Since 2012, MFS’ headquarters location in Boston, Massachusetts has met LEED Gold standards, and when possible, we have applied similar measures and standards across our global footprint when renovating existing offices or building out new space. Also, over the past decade we have also implemented a wide variety of programs such as server consolidation, low-energy lighting and appliance use, expanded recycling and “pull printing” to help reduce waste and save energy.

These and other actions resulting from this initiative include the following:

/ REAL ESTATE AND ENERGY CONSUMPTION /

- Used modular interior materials to reduce costs and waste
- Installed high-efficiency light fixtures, Energy Star appliances and low-flow plumbing fixtures wherever possible
- Implemented auto-shutoff for lighting in corporate office and auto-sleep mode for all computers
- Consolidated and upgraded servers that achieved 40% greater energy efficiency
- Contracted with custodial vendor that uses 100% biodegradable cleaning products
- Using highly efficient data center partners to minimize electricity use and cooling needs

/ TRAVEL /

- Implemented video conferencing for all employees to reduce nonessential travel and enhanced work-from-home capabilities
- Installed commuter bike racks and showers in corporate headquarters and most global offices to promote carbon-free commuting

/ PAPER AND PLASTIC /

- Eliminated 90% of file cabinets by making almost all processes paperless
- Inventoried and recycled unnecessary historical paper documents
- Implemented pull printing and default two-sided printing in offices to reduce print waste
- Offered paperless web and app access for client reports, shareholder and proxy statements, marketing materials and fund documents
- Stopped using plastic in marketing materials
- Provided employees with reusable mugs and eliminated disposable cups from offices
- Eliminated single-use bottled water

/ WASTE /

- Working with an industry-recognized (ISO and R2 certified) firm to remarket and recycle legacy computing assets
- Implemented single-stream recycling wherever possible along with alkaloid and lithium ion battery recycling
- Implemented a new waste measuring and reduction initiative focused on composting, recycling and educating employees on how to reduce their waste in our corporate headquarters, with plans to expand in our global offices

In 2020, as noted above, we established a global, cross-functional Environmental Impact Working Group (currently overseen by the MFS Corporate Sustainability Committee) to improve our ability to measure and minimize our overall environmental footprint. In partnership with our parent organization, Sun Life, we have adopted a carbon neutrality plan. As part of this plan, MFS, along with the entire Sun Life global group, has met its goal of achieving carbon neutrality as of the end of 2021. We have chosen three carbon offset projects to invest in over the next two years to achieve net zero carbon emissions in our operations:

- Darkwoods Forest Conservation — Canada
- Mississippi Valley Reforestation — United States
- Rural Clean Cooking — India

We continue to assess our operations and their impact on a changing climate in order to further our goal of creating more sustainable practices around business travel, paper and waste management in our operations while seeking to further engage with the owners or property management companies of the buildings we occupy to promote more sustainable practices and energy sources. Additionally, we perform due diligence on our material suppliers to determine their approach to climate change.

To achieve less carbon intensive operations, we are committed to improving our climate-related measurement, monitoring and reporting, and have engaged with a sustainability consultant to create a GHG inventory and develop SBTi aligned recommendations.

Risk Management

Our cultural emphasis on risk management is incorporated into all facets of our investment process. At MFS, the goal is not to minimize risk per se, but rather to understand its sources and effectively manage it. The risk management process is designed to ensure each strategy takes on the level of risk appropriate to the investment philosophy of its mandate while also meeting long-term investment objectives.

We consider both risks and opportunities when evaluating sustainability-related factors and trends, and we have implemented systematic processes to help our investment team manage all material risks at the security and portfolio levels. As part of this systematic approach to risk management, all MFS strategies are subject to annual sustainability reviews focused exclusively on sustainability-related topics. These reviews are designed by our ESG specialists to provide portfolio managers with a comprehensive view of all material risks and opportunities in their portfolios based on MFS' own internal research, issuer-reported data and other relevant viewpoints.

The goal is not to minimize risk, but rather to understand its sources and effectively manage it



Metrics and Targets— Investments

We rely on a wide range of data and analysis when monitoring climate risk at the security and portfolio levels. This includes the level and quality of climate risk disclosure (e.g., CDP reporting), the adoption and quality of issuer carbon reduction targets (e.g., net zero targets, science-based targets, etc.) and progress toward these targets, such as rolling three- and five-year emissions trends. Given the role many companies in high-emitting sectors might play in facilitating the transition to a low-carbon economy, simply measuring portfolio exposure to such sectors may not provide enough information on important climate opportunities and cooling potential.

Other important metrics we use to monitor climate risk include the following:

/ SECURITY-LEVEL /

- Physical risk indicators
- Current carbon intensity
- Water intensity
- Industry carbon intensity (global and by region)
- Forward-looking carbon reduction targets
 - Is there an action plan?
 - Is it focused on absolute reduction, or does it rely heavily on offsets?
- Cooling potential (e.g., which company revenues are tied to products that can help reduce customer emissions?)
- Are climate metrics included in executive compensation?
- Strength of management/governance climate oversight

/ PORTFOLIO-LEVEL /

- Portfolio carbon intensity vs. benchmark
- Rolling three- and five-year emissions trends
- Annual portfolio sustainability reviews include discussion of high emitters and the risk/reward they represent



Metrics and Targets— Business Operations

Going forward, our Environmental Impact Working Group will examine all aspects of MFS' business operations to understand where we as an organization can establish goals to reduce our absolute emissions. This will allow us to determine where improvements can be made to help achieve those goals and reduce our total resource consumption to the greatest extent possible.

/ MEASURING OUR EMISSIONS /

- **Real estate/building emissions:** We do not own any of our current building occupancy; however, as part of this initiative, we are conducting a full inventory of each of our locations, looking at issues such as lighting efficiency, water consumption, sources of electricity and renewable alternatives and waste practices. We will also try to collaborate with our landlords to understand their climate strategy and find ways to partner with them in order to reduce emissions.
- **Travel:** We are working with clients to engage with them virtually for more routine meetings and otherwise reduce the number of in-person meetings. We are also determining where we can consolidate trips, seek alternative modes of transportation and make fewer layovers. Additionally, we are looking at our preferred airlines to understand their climate action plans. We continue to improve our ability to assess and report the emissions produced from travel.

/ EDUCATING EMPLOYEES /

- We are engaging our own employees not just to create awareness of the climate crisis but also to educate them and provide tools that can help them have an impact by making small but meaningful changes in their lifestyles. We have also launched an internal portal to collect employee suggestions on how to make the firm more environmentally friendly.



Roadmap for 2023

MFS' core priority for 2023 is the identification and sourcing of additional climate-related financial data across the investment function and the continued sector-focused rollout of our firm-wide climate change engagement theme in line with our commitments to NZAM and SFDR.

Our approach on setting these targets focuses on using active ownership and engagement. We will engage with our issuers, encourage them to set climate net zero goals in line with the Science-Based Targets initiative (SBTi) and monitor overall alignment with sectoral decarbonization pathways. We do not intend to use divestment or to purchase "green" companies solely for the purpose of achieving our net zero goals as this approach does not contribute to reducing real world emissions. We

expect all covered assets to be "aligned to a net zero pathway" by 2040 and "achieving net zero" by 2050, as defined by the Net Zero Investment Framework (NZIF) methodology.

In order to execute our engagement commitments for NZAM and SFDR, we need to develop core views on sectoral decarbonization pathway dependencies. Understanding headwinds and tailwinds around pathway dependencies will enable us to assess whether an issuer's climate-related transition plan is credible.

For the energy sector, current dependencies are, for example, biofuels, hydrogen and renewables as well as understanding the developments and feasibilities of carbon, capture, utilization and storage (CCUS) or developments in battery storage.



TCFD PILLARS	ACTIVITIES AND OBJECTIVES ACHIEVED IN 2022 AND PRIOR YEARS	ACTIVITIES AND TARGETS FOR 2023	ACTIVITIES IN 2024 AND BEYOND
Governance	<p>Restructured MFS' sustainability governance framework, including the creation of:</p> <ul style="list-style-type: none"> i) MFS' Sustainability Executive Group (SEG) that meets every other week and includes our Chief Executive Officer, President, General Counsel, Chief Investment Officer and other leaders within the organization, and ii) MFS' Climate Working group, which is comprised of members of our global investment team and aims to foster an improved understanding of climate risks and opportunities <p>Actively participated in industry-wide climate change working groups such as CA 100+, CERES and IIGCC</p> <p>Included sustainability-related questions in MFS' peer review system, which forms an important component of investment team compensation</p>	<p>Continue to enhance climate-related voting and escalation policies, increasing clarity for issuers on proposal types we will typically support</p> <p>Onboard and actively participate in new climate initiatives such as the Asia-focused initiative Asian Investor Group on Climate Change (AIGCC)</p>	<p>Evaluate new collaborative bodies and revise stewardship policies as necessary</p>
Strategy	<p>Developed goals under the Net Zero Asset Managers Initiative, which included training the global investment team on the initiatives and its goals</p> <p>Rolled out centralized engagement platform to better track engagement activities and outcomes</p> <p>Developed and published (both internally and externally) firm-wide climate viewpoints and our expected approach to engagement on the topic</p>	<p>Roll out portfolio-level TCFD reports for UK-managed accounts</p> <p>Develop sector-specific frameworks to assess corporate transition plans to support our forward looking assessment of risk and alignment with NZAM and MFS' SFDR criteria</p> <p>Further enhance voting policies to support our issuers' progress toward interim targets and net zero goals</p>	<p>Roll out internal research on climate technologies and other pathway dependencies to enable investment team to monitor changing trajectories in climate-related expectations</p>
Risk Management	<p>Created MFS' ESG data dashboard, which includes substantial amounts of climate and related target data</p> <p>Enhanced our investment database with company-reported climate data and reports from third-parties on climate and other ESG topics</p> <p>Rolled out strategy-level annual sustainability reviews, which include the review of carbon and target setting data at a company and portfolio level</p> <p>Developed tools to monitor engagement activity across our global investment team</p>	<p>Produce portfolio level TCFD analyses, including the review of climate-related financial data, including forward looking physical and transition risks</p> <p>Continue to evaluate new forms of climate-related financial data (e.g., scenario data) for use in our research and engagement programs</p> <p>Further integrate growing availability of engagement data and NZAM outcomes in our strategy level annual sustainability reviews</p>	<p>Further integrate climate-related data and engagement insights into MFS' investment process</p> <p>Develop internal research on climate technologies and other pathway dependencies to enable investment team to monitor changing trajectories in climate-related expectations</p>
Metrics	<p>MFS' ESG data dashboard, outlined above, includes a wide variety of climate-related data, such as carbon data (absolute and intensity), company-defined climate targets and third party scores (e.g., CDP Climate Scores), among others.</p> <p>Expanded MFS' climate data to cover our sovereign entities</p>	<p>Launch and share (both internally and externally) a Net Zero progress report, showing examples and developments on sectoral thinking, engagement successes and hurdles and provide quantitative data on milestones reached</p> <p>Identify climate-related data gaps, including assessing how scenario analysis may or may not improve our analysis of individual company and portfolio level outcomes over the long term</p> <p>Develop a front end for capturing NZAM-related insights on company alignment for higher impact companies in our portfolio</p> <p>Developed GHG inventory for our Corporate Operations to measure our emissions</p>	<p>Develop process to monitor progress against net zero commitments and the alignment of portfolios with the decarbonization goals of the Paris Agreement</p>

Conclusion

MFS supports alignment with the Paris Agreement and the goal of limiting temperature increases to less than 1.5 degree Celsius above preindustrial levels. We are focused on improving our ability to support this goal in both our investment process and our business operations. We will continue to engage with our clients, investees and industry peers to help build effective and resilient carbon-reduction strategies, and we will continue to encourage policies and practices that facilitate the transition to a low-carbon economy.

/ REPRESENTATIVE STRATEGIES CARBON INTENSITY¹ /

	2021		2022	
	WACI	Coverage (%)	WACI	Coverage (%)
Equity - Global				
MFS Global Equity	102	97	100	100
MFS Transformative Capital	99	88	81	95
MFS Global Value Equity	90	99	78	98
MFS Global Growth Equity	70	97	65	99
MFS Low Volatility Global Equity	313	99	262	100
Equity - Global ex-US				
MFS International Equity	123	99	127	100
MFS International Intrinsic Value Equity	58	99	42	100
MFS International Growth Equity	116	97	134	99
Equity - US				
MFS Large Cap Value Equity	280	97	274	100
MFS Large Cap Growth Equity	59	96	54	100
MFS Mid Cap Value Equity	280	76	247	98
MFS Mid Cap Growth Equity	63	75	46	96
MFS Low Volatility US Equity	241	99	240	100
Equity - Regional				
MFS European Research	103	94	102	98
MFS Japan Equity	75	98	43	100
MFS UK Equity	67	98	70	98
MFS Canadian Research Equity	281	81	348	97
MFS Asia Pacific ex-Japan	129	93	170	96
Equity - Emerging Markets				
MFS Emerging Markets Equity	119	95	88	98
MFS Latin American Equity	325	85	250	96
Equity - Sector				
MFS Utilities Equity	1810	94	1620	98
MFS Global Real Estate Equity	109	93	56	98
Fixed Income				
MFS Global Credit	338	77	146	50
MFS US Credit	254	84	160	66
MFS Euro Credit	214	76	58	58

¹Weighted Average Carbon Intensity (Scope 1+2) (tonnes CO₂e/\$revenues). Source: S&P/Trucost, FactSet, and Clarity AI. trademark and service mark.

The information set forth above is dependent on the accuracy and availability of emissions data for which MFS relies on issuers and third-party data providers. Lower portfolio data coverage will yield less reliable carbon intensity metrics.

/ MFS ENTITY LEVEL REPORTING /

Four TCFD recommended metrics are included below. These are based on Scope 1 + Scope 2 emissions. Only equities and corporate bonds are included at this time.

CARBON FOOTPRINT

	Companies	Portfolio weight	Carbon footprint
Weighted Average Carbon Intensity tons CO ₂ e / USD M revenue	7,204 / 10,441	83%	157.71
Portfolio Financed Emissions tons CO ₂ e	7,127 / 10,441	82%	19.98 M
Portfolio Financed Emissions / USD M Invested tons CO ₂ e / USD M invested	7,127 / 10,441	82%	42.45
Portfolio Carbon Intensity tons CO ₂ e / USD M revenue	7,131 / 10,441	83%	141.73

GHG EMISSIONS

	Total	Data coverage
Total GHG emissions (companies only) tons CO ₂ e	161,499,952.00	93%
Scope 1 GHG emissions tons CO ₂ e	20,790,460.00	95%
Scope 2 GHG emissions tons CO ₂ e	4,137,368.80	95%
Scope 3 GHG emissions tons CO ₂ e	130,571,824.00	94%





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.

MFS may incorporate environmental, social, or governance (ESG) factors into its fundamental investment analysis and engagement activities when communicating with issuers. The examples provided above illustrate certain ways that MFS has historically incorporated ESG factors when analyzing or engaging with certain issuers but they are not intended to imply that favorable investment or engagement outcomes are guaranteed in all situations or in any individual situation. Engagements typically consist of a series of communications that are ongoing and often protracted, and may not necessarily result in changes to any issuer's ESG-related practices. Issuer outcomes are based on many factors and favorable investment or engagement outcomes, including those described above, may be unrelated to MFS analysis or activities. The degree to which MFS incorporates ESG factors into investment analysis and engagement activities will vary by strategy, product, and asset class, and may also vary over time. Consequently, the examples above may not be representative of ESG factors used in the management of any investor's portfolio. The information included above, as well as individual companies and/or securities mentioned, should not be construed as investment advice, a recommendation to buy or sell or an indication of trading intent on behalf of any MFS product.

Please keep in mind that a sustainable investing approach does not guarantee positive results and all investments, including those that integrate ESG considerations into the investment process, carry a certain amount of risk including the possible loss of the principal amount invested.

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/ APPENDIX 2: PERSONNEL CHANGES AND KEY STAFF / 2

Dedicated Sustainability Professionals

At MFS, it is our firm belief that a successful approach to sustainability requires the participation of our entire firm. Sustainability describes our fundamental investment process; it is not a separate discipline with different inputs or outcomes. All our investment professionals are actively engaged in, and responsible for, its success.

In order to facilitate the adoption, implementation and enhancement of sustainability practices across the firm, we employ a number of people that are positioned to provide strategic leadership and support the effective integration of sustainability considerations across teams and disciplines. They are listed below.

Investments



Barnaby Wiener – Chief Sustainability Officer

Barnaby joined MFS in 1998 as a research analyst. He became a portfolio manager in 2003 and currently manages the firm's Prudent Wealth, Prudent Capital and Prudent Investor strategies. He previously held the role of director of European Research and was co-portfolio manager of MFS International Value and Global Value equity strategies.

Prior to joining MFS, he was an equity research analyst for both Merrill Lynch and Crédit Lyonnais. He also served as a captain in the British Army.

Barnaby is a graduate of Oxford University and the Royal Military Academy, Sandhurst. He is based in London.



Pooja Daftary – Research Analyst

Pooja joined MFS in 2009 as an investment research associate. In 2012, she left the firm to complete her Master of Business Administration degree before returning in 2014 as a "traditional" equity research analyst. She served in that role until 2018, when she assumed her current position.

Pooja earned a BA from Mount Holyoke College and an MBA from Harvard Business School. She is based in Singapore.



Robert M. Wilson, Jr. – Director - Global ESG Integration

Robert M. Wilson, Jr. is the global director of ESG integration at MFS Investment Management® (MFS®). As the first ESG analyst at MFS, he was responsible for the initial development and execution of our global equity and fixed income ESG investment integration strategy. Working with analysts and portfolio managers, Rob spends most of his time developing bottom-up, security-specific research aimed at modeling and valuing ESG risks and opportunities. He also produces action oriented thematic research covering topics such as corporate taxation, income inequality, fixed income governance analysis and technology ethics.

Rob was named director -global ESG integration in 2022. He joined MFS in 2013 after six years with American Century, where he most recently served as a senior equity analyst. Previously, he spent five years at Bain & Company, working as a manager in the Financial Planning and Analysis group.



Mahesh Jayakumar, CFA, FRM – Research Analyst

Mahesh joined MFS in 2019 as a fixed income analyst following a year as a senior portfolio manager in Beta Solutions at Oppenheimer Funds. He previously worked for State Street Global Advisors for ten years, serving as a senior portfolio manager for the first nine, before transitioning to a senior ESG investment strategist role for his final year with the firm.

Mahesh began his career in the financial services industry in 2008. He earned a BS in Information Systems from Purdue University, an MS in Computer Science from Boston University and an MBA from the MIT Sloan School of Management. He is based in Boston.



Gabrielle Johnson – Fixed Income Research Associate

Gabrielle Johnson is a fixed income research associate with MFS Investment Management® (MFS®). In her role, she is responsible for assisting analysts and portfolio managers with their investment processes by gathering and analyzing data with a focus on environmental, social and governance industry factors.

Gabrielle joined MFS in 2021 in her current role. She was previously a senior client account manager with Brown Brothers Harriman for three years.

Gabrielle earned a Bachelor of Arts degree in economics and environmental studies from Hobart and William Smith Colleges.

Stewardship



Franziska Jahn-Madell – Director, Global Stewardship

Franziska Jahn-Madell is director of global stewardship at MFS. In this role, she is responsible for creating a company-wide global stewardship strategy, incorporating sustainability, engagement and proxy voting. She is based in London.

Franziska joined MFS in 2021 in her current role. Prior to joining the firm, she worked at Frankfurt University as an academic assistant. She also spent ten years as a principal research analyst at EIRIS in London, and most recently spent seven years at Ruffer as head of responsible investment.

Franziska earned two Masters of Administration degrees from Frankfurt University, with honors. She studied Catholic Theology and German Literature.



Andrew Jones, CFA – Stewardship Analyst

Andy Jones, CFA, is a stewardship analyst with MFS Investment Management® (MFS®). In this role, he is responsible for working across the full portfolio of MFS holdings to deliver our internal stewardship strategy and external stewardship commitments. He is based in London.

Andy joined MFS in 2021 in his current role. He was previously a director and stewardship lead for Europe in Federated Hermes EOS for more than three years. Prior to that, he was a sustainability consultant with PwC for ten years and before that a strategy and risk consultant with Deloitte. He began his career in financial services in 2004.

Andy earned a Bachelor of Science degree in physics from the University of Warwick. He holds the chartered financial analyst designation.



Margaret Therrien – Senior Stewardship Associate

Margaret Therrien is a senior stewardship associate with MFS. In this role, she is responsible for analyzing and engaging with MFS' portfolio companies on issues relating to compensation, ESG and board oversight.

Margaret joined MFS in 2016 as a proxy analyst, and was named to her current position in 2021. Prior to joining MFS, she worked as a credit risk analyst at a biotechnology company. Her prior experience also includes work as a research assistant, supporting publications on renewable energy and corporate governance.

Margaret earned a Bachelor of Science degree in business administration from Boston University, specializing in finance and economics. She is based in Boston.



Herald Nikollara – Stewardship Associate

Herald Nikollara is a stewardship associate with MFS. He is responsible for proxy voting and corporate governance-related research and analysis and day-to-day proxy voting operations, as well as assisting with reporting and engagement activities.

Herald joined MFS in 2018 as a proxy voting analyst before being named to his current position in 2021. He was previously a paralegal at the Boston law firm Holland & Knight LLP for two years.

He earned a Bachelor of Science degree in criminal justice from the University of Massachusetts Boston.

Client Sustainability Strategy



Vishal Hindocha, CFA – Senior Managing Director, Global Head of Sustainability Strategy

Vishal Hindocha, CFA, is senior managing director and global head of sustainability strategy at MFS. In this role, he works with clients and regulators globally to develop solutions and provide insights on sustainable investment trends and best practices. He is focused on ensuring that sustainability is integrated across investment, client and corporate pillars.

Vishal joined MFS in 2016 as a director on the Client Relations and Consultant Relations teams. He previously served as a senior investment consultant and team leader at Willis Towers Watson.

Vishal earned a Bachelor of Science degree in economics from University College London. He holds the chartered financial analyst (CFA) designation. He is based in London.



George E. Beesley, CFA – Sr. Strategist - Client Sustainability Strategy

George E. Beesley, CFA, is a senior strategist on the Sustainability Strategy Team at MFS Investment Management® (MFS®). In this role, he is responsible for working with clients to develop solutions, communicating investment strategy, and providing insights on ESG and sustainability. He works closely with members of the firm's investors to identify and prioritise research topics most relevant to the investment process. He is based in Madrid.

George joined MFS in 2021 as a strategist. Prior to this, he spent one year at Plan for Life Wealth Management and four years in investment consulting with Willis Towers Watson. He began his career in the financial services industry in 2013.

George received a Bachelor of Arts degree from The University of Manchester with a concentration in economics and social sciences. He later received a Master of Science degree in international business and management from The University of Manchester with honours. He holds the chartered financial analyst designation and is a member of the U.K. CFA Society.

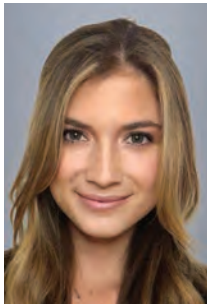


Daniel Popielarski – Strategist - Client Sustainability Strategy

Daniel T. Popielarski is a strategist on the Client Sustainability Strategy Team at MFS Investment Management® (MFS®). With a focus on sustainability, he is responsible for conducting research, developing MFS' views and delivering in-depth analysis, insight and thought leadership. He works closely with other technical experts to create and deliver content, as well as contribute towards MFS' thought leadership via client ready presentations and response to client inquiries. Along with the rest of the team, he is also accountable for developing and delivering on a strategic plan to ensure that MFS is adopting and promoting best practices in our marketplace.

Dan joined MFS in 2012 as a client service representative. He became a senior relationship management coordinator in 2015 and an analyst in the firm's Investment Solutions Group in 2019. He assumed his current role in 2023.

Dan earned a Bachelor of Science in business administration from the University of Vermont. He also served as a microfinance development volunteer in the Peace Corps for two years.



Tessa Fitzgerald – Client Sustainability Strategy Lead Analyst

Tessa Fitzgerald is a lead analyst on the Sustainability Strategy team with MFS Investment Management® (MFS®). With a focus on sustainability, she is responsible for conducting research, developing MFS' views and delivering in-depth analysis, insight and thought leadership. She works closely with subject matter experts across the firm to develop and maintain content and she contributes to the firm's sustainability thought leadership via client-ready presentations, white papers, conference presentations and client responses. She is based in Toronto.

Tessa joined MFS in 2019 as a request-for-proposal analyst and was named to her current role in 2023. She began her career in financial services with the Bank of Montreal as a service representative in 2018.

Tessa earned a Bachelor of Arts degree in political studies from Queen's University and she has earned the CFA Institute Certificate in ESG Investing.



Pelumi Olawale – Client Sustainability Strategy Lead Analyst

Pelumi Olawale, CFA, ACA, is a client sustainability strategy lead analyst at MFS Investment Management® (MFS®). In this role, he is responsible for working with clients, investors and our distribution teams to develop, evolve and effectively communicate MFS’ sustainability strategy. This includes thought leadership, indepth research and publishing whitepapers on sustainability and sustainable investing–related topics. In addition, he takes the lead on engagements with regulators and industry bodies with a specific focus on Net Zero initiatives.

Pelumi joined MFS in 2022. He was previously a fixed income and currencies trader and investment banking analyst at Rand Merchant Bank.

Pelumi earned a Bachelor of Science degree in accounting and finance from the University of Lagos and holds a Master of Business Administration degree with a concentration in sustainability from the University of Oxford. He is a CFA charter holder and holds the Associated Chartered Account qualification.



Yasmeen Wirth – Client Sustainability Strategy Analyst

Yasmeen Wirth is a client sustainability strategy analyst with MFS Investment Management® (MFS®). In this role, she communicates MFS philosophy and approaches regarding sustainability, generates ESG-related topical research, works closely with the investment team and other subject matter experts to produce client-ready content such as reports, presentations, query responses and whitepapers.

Yas joined MFS in 2022 in her current role. During her collegiate career, she worked as an investment banking operations analyst at UBS and in legal and neuroscience research roles.

Yas earned a Bachelor of Arts degree from Bowdoin College, with majors in neuroscience, government and policy.

Legal and Compliance



Susan A. Pereira – Vice President, Managing Counsel

Susan Pereira is a vice president and managing counsel at MFS Investment Management® (MFS®). In this role, she provides legal support to the MFS funds and advises the firm on the US Investment Company Act of 1940. She also provides advice to the firm on regulation related to proxy voting and stewardship and serves as cochair of the MFS Proxy Voting Committee.

Susan originally joined MFS in June 2004 as a counsel. Before that, she was an associate at the law firms of Bingham McCutchen LLP in Boston and Preti, Flaherty & Pachios LLP in Portland, Maine.

Susan earned a Bachelor of Arts degree in history and humanities from Providence College and a Juris Doctor from the University of Maine School of Law.



Jay Herold – Vice President and Managing Counsel

Jay C. Herold is Vice President and Managing Counsel at MFS Investment Management® (MFS®). In his role, he is responsible for providing legal counsel in the areas of mutual fund and advisory services distribution. He regularly advises key personnel on marketing and product matters, and serves as global legal ESG coordinator, for MFS registered investment companies, UCITS funds and separately managed accounts.

Jay joined MFS in 2013. He previously spent nine years at Fidelity Investments serving in various roles, including most recently as senior legal counsel supporting Fidelity’s outside mutual fund distribution platform.

Jay earned a Bachelor of Science degree from Emerson College and a Juris Doctor degree from St. Thomas University.



Nick Pirrotta – Regulatory Senior Specialist

Nicholas M. Pirrotta is a regulatory senior specialist with MFS Investment Management® (MFS®), focusing on stewardship and sustainability matters. In this role, he is responsible for assisting in the implementation of regulations and requirements applicable to MFS' stewardship activities and the integration of ESG factors into its investment process.

Nicholas joined MFS in 2013 as a regulatory analyst. He was named to current position in 2021. He previously served as a senior associate and paralegal at State Street Bank & Trust Company. He began his career in financial services in 2011.

Nicholas earned a Bachelor of Science degree from Westfield State College and holds a Master of Business Administration degree from the New England College of Business.



Justin McGuffee – Compliance Officer

Justin McGuffee is a compliance officer with MFS Investment Management® (MFS®). In this role, he is responsible for developing and maintaining the global ESG compliance program relating MFS' investment, distribution and corporate activities. The ESG compliance program is in place to identify and monitor adherence to global regulations relating to ESG, principles or guidelines arising from ESG groups MFS has joined, and internal ESG standards.

Justin joined the firm in 2007 as a compliance specialist on the firm's Sales Literature and Advertising Review team. During his tenure at the firm, he has held multiple roles in the Compliance Department, serving as a compliance manager for both its Global Sales Practices and Marketing Communications functions. He was named to his current role in 2021. He began his career in financial services in 2005 as a compliance analyst with MetLife.

Justin attended Louisiana State University and earned a Bachelor of Science degree in business administration from New England College of Business and Finance. He holds Series 6, 7, 26 and 51 licenses from the Financial Industry Regulatory Authority (FINRA). He is also a certified securities compliance professional (CSCP).

/ APPENDIX 3: MFS' COLLABORATIVE ORGANIZATIONS AND INITIATIVES / 10

MFS believes that collaborative engagement can generate positive impacts for industries, individual companies and a wide range of stakeholders, including shareholders. We participate in a number of industry initiatives, organizations and working groups that seek to improve, and provide guidance on, corporate and investor best practices, sustainability and proxy voting issues. We typically join an industry initiative or other collaborative group for one of two reasons: 1) The work or objective of the group or initiative aligns with our investment philosophy on a specific topic or 2) the initiative or group provides access to research or data that enhance our investment process and that is in the long-term best interests of our clients.

The table on the following pages lists the collaborative initiatives and organizations that MFS is affiliated with and shows our role.

COLLABORATIVE INITIATIVE/ORGANIZATION MEMBERSHIPS	DESCRIPTION	MFS' ROLE	YEAR JOINED
Asian Corporate Governance Association (ACGA)	Organization dedicated to working with companies, regulators and investors on the implementation of effective corporate governance practices throughout Asia	Signatory	2019
The ASCOR Project (Assessing Sovereign Climate-related Opportunities and Risk)	Project to support investors in their assessment of sovereign climate-related risks and opportunities; will develop an assessment framework that enables the current and future climate change governance and performance of sovereigns to be fairly and appropriately measured, monitored and compared	Advisory Committee Member	2021
Carbon Disclosure Project (CDP)	Nonprofit that runs a global disclosure system for investors, companies and governments to manage their environmental impact	Signatory	2010
CDP Science-Based Targets Campaign (CDP SBT)	Offers CDP signatories (see above) the opportunity to play a key role in accelerating the adoption of science-based climate targets in the corporate sector by collaboratively engaging companies on this matter	Not applicable	2020
Ceres Investor Network on Climate Risk and Sustainability (Ceres)	Nonprofit organization focused on working with capital market leaders to solve the world's most pressing sustainability challenges	Signatory	2021
Climate Action 100+	Investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change	Signatory	2020
Farm Animal Investment Risk & Return (FAIRR) Initiative	Investor network focusing on ESG risks in the global food sector.	Signatory	2021
Focusing Capital on Long Term (FCLT Global)	Nonprofit that works to encourage a longer-term focus in business and investment decision-making by developing practical tools and approaches to support long-term behaviors across the investment value chain	Signatory	2018
GRESB	Investor-led organization that provides actionable and transparent ESG data to financial markets relating to the real estate and infrastructure industries	Signatory	2021
Institutional Investors Group on Climate Change (IIGCC)	Europe-centric investor collaboration on climate change and investors taking action to drive real progress toward a low carbon future	Signatory	2021
Interfaith Center on Corporate Responsibility (ICCR)	Coalition of faith- and values-based investors who view shareholder engagement with corporations as a powerful catalyst for change	Signatory	2021
Investor Stewardship Group (ISG)	Collective of some of the largest US-based institutional investors and global asset managers, along with several of its international counterparts; formed to establish a framework of basic standards for investment stewardship and corporate governance for US institutional investors and corporations	Founding Member	2017
Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC)	Investor-led initiative convened to promote effective action among investee companies in the APAC region in order to find, fix and prevent modern slavery, labor exploitation and human trafficking in their value chains	Signatory	2021

Net Zero Asset Managers (NZAM) Initiative	Collective group of asset managers committed to supporting investing aligned with net zero emissions by 2050 or sooner	Signatory	2021
Principles of Responsible Investing (PRI)	UN-supported network of investors that works to promote sustainable investment through the incorporation of ESG issues	Signatory	2010
Science-Based Targets Initiative (SBTi)	Calls on high-emitting companies to set science-based emission reduction targets	Signatory	2020
Share Action Workforce Disclosure Initiative (WDI)	Collaborative engagement program of ShareAction, a UK-based charity that promotes responsible investment and improvement in corporate behavior with the goal of improving corporate transparency and accountability on workforce issues, providing companies and investors with comprehensive and comparable data and helping to increase the provision of good jobs worldwide	Signatory	2020
Swiss Sustainable Finance (SSF)	Leading voice and actor in sustainable finance contributing to a sustainable and prosperous economy by shaping and informing on best practices and creating supportive frameworks and tools; supports its members and cooperates with other actors as it seeks to achieve a leading position in sustainable finance	Signatory	2020
Thinking Ahead Institute (TAI)	Global nonprofit whose aim is to influence change for the better in the investment world by improving the provision of savings; comprises asset owners, investment managers and other groups motivated to influence the industry for the good of savers worldwide	Signatory	2017
Task Force on Climate-Related Financial Disclosures (TCFD)	Organization that has developed a framework of climate-related financial risk disclosures for companies to report on with the goal of enhancing the ability of financial markets to respond to climate change by encouraging broad and consistent information sharing across industries	Signatory (supporter)	2019
UK Sustainable Investment and Financial Association (UK SIF)	Brings together the UK's sustainable finance and investment community and supports members' efforts to expand, enhance and promote this key sector; drives growth and new opportunities for members, who are global leaders in the sustainable finance industry	Signatory	2021

/ APPENDIX 4: STEWARDSHIP CONFLICTS OF INTEREST IDENTIFICATION/OVERSIGHT / 3

MFS has adopted a firm-wide policy on managing conflicts of interests (the "Conflicts Policy"), which is grounded in the core principle that we act in our clients' best interests by treating our clients fairly and equitably at all times. The Conflicts Policy establishes a framework for managing conflicts of interest across MFS and requires that the firm take reasonable steps to identify, prevent and manage our conflicts of interest. Pursuant to the Conflicts Policy, MFS may take a variety of actions based on the facts and circumstances of an identified conflict, including, but not limited to avoidance (where possible); disclosure; implementing tailored policies and procedures for a specific conflict; establishing informational, physical or operational barriers (ethical walls); and segregation of duties. To deliver on this commitment, MFS has established a policies and procedures that incorporate considerations related to or designed to address and mitigate applicable conflicts of interest that arise in the ordinary course of providing services to our clients (e.g., the allocation of investment opportunities or trades, voting proxies or outside business activities). Additionally, the firm has implemented the following to support its conflicts of interest program.

- **Conflicts of Interest Inventory** – MFS maintains a record of actual and potential conflicts of interest relating to firm and client activities. This inventory is updated as necessary to reflect any new conflicts or changes to already identified conflicts arising from the firm’s business activities. Additionally, on an annual basis, the inventory is reviewed by each relevant business unit to help ensure that it continues to reflect any known or potential conflicts.
- **Employee Code of Conduct** – The MFS Code of Business Conduct requires that conflicts relating to employee activities are required to be disclosed to an individual’s manager or the MFS Compliance Department. The Compliance Department reviews any disclosed conflicts and if necessary puts in place measures to remove, mitigate or manage them.
- **Conflict Officers** – MFS has designated specific people within its Compliance Department to serve as conflict officers in each jurisdiction in which the firm conducts business operations. These conflict officers serve as local contact points for employees to report, discuss or otherwise escalate an actual or potential conflict of interest.

- **Organizational Structure** – MFS maintains an organizational structure that further mitigates the potential for conflicts through various committees, each of which oversees one or more business activities and either directly or indirectly reports violations to a central compliance oversight committee.

Potential Conflicts Related to MFS' Stewardship Activities

Below are potential conflicts that we have identified related to our stewardship activities, and the steps we have taken to mitigate each. While these potential conflicts exist in our business activities, we believe they have been mitigated to the extent that they do not materially influenced MFS’ activities, and we have not violated the Conflicts Policy during the reporting period.

CONFLICT	HOW WE MANAGE THE CONFLICT
MFS' OWNERSHIP STRUCTURE	
MFS is owned by a public company, Sun Life Financial, Inc., and therefore if the firm were to invest in Sun Life’s securities, we might have an incentive to vote in the interests of Sun Life or members of the Sun Life Board of Directors and against the interests of MFS’ clients.	To address this conflict, and for other reasons, MFS generally does not invest in shares of Sun Life on behalf of our clients. However, if an MFS client has the right to vote on a matter submitted to shareholders by Sun Life, we will cast the vote as the client instructs or in the event that a client instruction is unavailable pursuant to the recommendations of the relevant proxy advisory firm’s benchmark policy, or as required by law.
MFS’ investment, engagement or proxy voting activities may be in conflict with the activities or views of our parent company, Sun Life, which could seek to influence our activities.	MFS maintains an MFS-SLF Ethical Wall Policy, which states that no employee, officer or director of Sun Life may be involved in voting or investment decisions for securities or derivatives owned or managed by MFS or provide direction or information to individuals at MFS with the intent of influencing voting or investment decisions.

MANAGING CLIENT ACCOUNTS

As MFS manages both fixed income and equity portfolios, conflicts may arise between equity and credit holders in the same company.

MFS has a fiduciary obligation to each of our clients and every investment in a client's account must be made based on the financial interests of the specific client. While we expect that there may be instances of conflicting priorities between our different asset classes, we expect portfolio managers to make decisions with respect to such securities that are in the best interests of the applicable client without regard to the interests of other MFS clients. Likewise, we vote in what we believe to be the best long-term economic interest of our clients entitled to vote at the shareholder meeting, regardless of whether other MFS clients hold "short" positions in the same issuer or MFS clients hold an interest in the company that is not entitled to vote at the shareholder meeting (e.g., a bond holder). Additionally, MFS has adopted the MFS Policy Concerning Conflicts Arising From Clients Holding Investments in Certain Parts of a Distressed Issuer's Capital Structure to address when two or more clients of MFS are invested in certain parts of the same issuer's capital structure and the issuer will not perform its obligations in accordance with the terms of the securities held. The policy requires, among other things, that the portfolio manager assigned to a particular security of a distressed issuer shall make decisions with respect to such security that are in the best interests of the holder of the security without regard to the interests of any other MFS client.

MFS may have incentives to limit or not conduct engagement and stewardship activities where the portfolio company is also a client of MFS or a key vendor of products/ services utilized by MFS.

MFS believes that its active engagement practices have a positive impact on a portfolio company by identifying issues, risks or challenges that may impact the company's long-term performance. Given this belief and our incentives to ensure that our clients are well positioned for the long term, we conduct any engagement activities for these portfolio companies in line with our Policy on Responsible Investing and Engagement. For information about how we address this potential conflict of interest with respect to our proxy voting activities, please see below under "Other Potential Conflicts Matters Related to MFS' Proxy Voting Activities."

INDUSTRY ORGANIZATIONS AND INITIATIVES

MFS may join an ESG or stewardship focused industry group or collaboration initiative that neither adds value to the investment management process nor is in line with MFS' strategy but provides greater potential to increase sales and distribution opportunities.

MFS' maintains oversight committees covering different areas of its stewardship program, which are responsible for reviewing and approving MFS joining applicable ESG or stewardship related industry groups or collaborative initiatives. As part of the approval process, each committee reviews a standardized form outlining responses to questions relating to the alignment of the group with MFS' purpose and values, potential for conflicts of interest, and legal and compliance issues, among others.

Other Potential Conflicts: Matters Related to MFS Proxy Voting Activities

Proxy voting may present unique challenges concerning conflicts of interests, and thus our proxy voting policies and procedures describe how we manage potential material conflicts of interest in regard to proxy voting at portfolio companies. Our policy is that proxy voting decisions are made in what we believe to be in the best long-term economic interests of our clients and not in the interests of any other party or in our corporate interests. If a member of the MFS Proxy Voting Committee or any other employee involved in a voting decision identifies a personal interest with respect to such a voting decision, then they must recuse themselves from participating in the voting process. Furthermore, the Proxy Voting Committee does not include individuals whose job responsibilities primarily include client relationship management, marketing or sales. Additionally, in cases where we 1) consider overriding a specific guideline in our proxy voting policies or procedures, 2) consider a matter that is not governed by a specific guideline in our policies, 3) evaluate an excessive executive compensation issue related to the election of directors, advisory pay or severance package vote or 4) consider a matter that requires consultation with members of the investment team (other than members of our stewardship team), we will check to see whether the matter involves an issuer or a shareholder proponent that has a significant relationship with MFS. Where we identify a potential conflict, the Proxy Voting Committee (with the participation of an MFS conflicts officer) will carefully evaluate the proposed vote to ensure that the proxy is ultimately voted in what we believe to be the best long-term economic interests of our clients and not in our corporate interests. Moreover, when we are evaluating a director nominee who also serves as a director of the MFS funds (*i.e.*, pooled investment vehicles sponsored by MFS), then the Proxy Voting Committee will adhere to the process described in the previous sentence regardless of whether MFS has a significant relationship with the issuer. Likewise, if a client has the right to vote on a matter submitted to shareholders of Sun Life or by a public company for which an MFS fund director or trustee serves as an executive officer, we will cast the vote as that client instructs, or in the event that client instruction is unavailable pursuant to the recommendations of the proxy advisory firm, or as required by law. Moreover, some of the 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 we believe to be in the top-tier fund's best long-term economic interest. If a client has the right to vote on a matter submitted to shareholders by an MFS fund, we will cast a vote on behalf of that client in the same proportion as the other shareholders of the MFS fund.

/ APPENDIX 5: STEWARDSHIP POLICIES AND POLICY OVERSIGHT PROGRAM / 5

All policies are overseen through the MFS committee governance structure. Four internal supervisory committees, the Internal Compliance Controls Committee, the Enterprise Risk Management Committee, the Employee Conduct Oversight Committee, and the Investment Management Committee, oversee compliance activities, risk management functions, investment management and operational processes. Supporting the supervisory committees is a group of key business process or functional committees that offer a forum for the discussion of any issues that arise with respect to a given committee’s charge, including any relevant policies or procedures.

MFS policies are reviewed by their owner and the assigned functional committee at least annually. This review is focused on determining whether revisions or updates are necessary to respond to developments of a business, operational, legal or regulatory nature. The MFS Legal and Compliance departments assist policy owners in their review. Changes to policies are approved by the applicable functional committee. Material changes are ratified on a quarterly basis by the MFS Internal Compliance Controls Committee before becoming effective.

As part of its our stewardship program and oversight of ESG integration, engagement and proxy-voting processes, MFS has established the following functional committees: the Investment Sustainability Committee, the Corporate Sustainability Committee and the Proxy Voting Committee. These committees are responsible for overseeing and updating the following policies and procedures related to stewardship:

MFS COMMITTEE	MFS POLICY/PROCEDURE
Investment Sustainability Committee	Policy on Responsible Investing and Engagement Policy on Cluster Munitions
Corporate Sustainability Committee	MFS Supplier Code of Conduct Modern Slavery Policy Human Rights Policy
Proxy Voting Committee	MFS Proxy Voting Policies and Procedures

Policy enhancements and changes during the 2022 reporting period

As discussed above, all policies, including those related to stewardship, are reviewed by MFS at least annually to ensure they accurately reflect current practices and requirements. This policy review framework also provides an opportunity to consider enhancements of the firm’s practices based on client, market or internal expectations. We view this process as critical to ensuring appropriate oversight by senior staff and relevant MFS committees. During the most recent annual policy review, the following material changes were incorporated into the above policies and procedures:

Policy on Responsible Investing and Engagement	No material changes
Policy on Cluster Munitions	No material changes
MFS Supplier Code of Conduct	No material changes
Modern Slavery Policy	No material changes
Proxy Voting Policies and Procedures	<ul style="list-style-type: none"> Increased from 20% to 22% the minimum threshold for the representation of women on the boards of Australian, Canadian, European and US companies we own and added a minimum threshold of 10% for the representation of women on the boards of Japanese companies we own Added a guideline to vote against the chair of the nominating committee or other relevant position at any US S&P 500 company or UK FTSE 100 company whose board does not have at least one director who identifies as either an underrepresented ethnic or racial minority or member of the LGBTQ+ community Increased the minimum ownership threshold with respect to the right to call special meetings from 10% to 15% Extended our voting guidelines with respect to excessive service by directors on boards of outside public companies and with respect to board size to markets outside the US Made certain disclosure changes to our voting guidelines to include more information about how we analyze certain voting matters (such as executive compensation, board independence in non-US markets and the appointment of auditors) and to include specific examples of environmental and social proposals that we may support Clarified that where sufficient progress was not made on a particular issue which we have engaged with a company, we may vote against management

Internal and External Assurances in Relation to MFS' Stewardship

As discussed above, MFS has established an extensive internal committee structure to oversee its various policies and procedures, including those related to our stewardship program. The firm has also embedded oversight groups and working groups within our investment process, namely the Sustainable Investment Steering Group, Climate Change Working Group, Societal Impact Working Group, Governance Working Group and Sovereign Risk Working Group, in order to, among other things, develop frameworks and evaluate progress made with respect to the relevant subject matter. Our investment team has also implemented regular risk reviews — including semiannual general investment risk reviews and more targeted annual “deep dive” reviews — that provide valuable input on each strategy’s integration of ESG factors. Additionally, in 2022 we continued to develop our compliance oversight of our sustainability and stewardship activities, in part by adding dedicated Compliance staff.

The MFS Internal Audit Department conducts routine and targeted audits based on internal risk assessments. While these reviews do not occur every calendar year, the firm’s stewardship activities, including, but not limited to, its proxy voting practices and sustainability practices, are subject to these audits. As a matter of company policy, we do not disclose the results of internal audits publicly, but we do view these reviews as an essential component of our oversight program in that they provide a mechanism for ensuring MFS is continually reviewing and improving the activities that represent the cornerstones of our stewardship program.

We believe that overall, the above approach offers a robust and consistent framework of assurance that leverages both senior management and subject matter experts in the review of each component of the firm’s stewardship program.

Clear, Fair and Balanced Reporting of Stewardship

Our stewardship reporting and client communications take several forms, ranging from bespoke individual-client reporting to webinars and stewardship reports intended for public audiences. Regardless of the type of report or client communication, we use a collaborative approach, which includes input from subject matter experts but also checks and balances. Our client services and investor solutions teams continually work with our clients to assess reporting expectations and with our investment, proxy voting and marketing team members to determine the type,

frequency and content of reporting that most effectively satisfies our clients’ expectations and meets their needs. As a result of this work, we publicly provide this report and quarterly stewardship reports and research insights on targeted ESG topics. All these materials are available at www.mfs.com/sustainability.

All external communications are subject to a review by Legal or Compliance team members prior to being published to ensure the accuracy of the content and its compliance with local regulatory standards. Additionally, to ensure clarity and consistency in our communications, all public reporting is reviewed by dedicated members of our Editorial Standards team prior to being published. For nonpublic client-specific reporting, we rely on relationship managers assigned to each client to ensure 1) our clients are receiving the necessary information from us, 2) all reporting expectations are communicated to the relevant business units within MFS and 3) any reporting expectations are codified in client agreements or other written instructions. As with our public communications, all materials are subject to review by subject matter experts and the appropriate checks and balances.

/ APPENDIX 6: STEWARDSHIP VENDOR MANAGEMENT PROGRAM / 8

MFS utilizes the following third-party service providers in implementing its ESG integration and proxy voting programs.

PROXY ADVISORY FIRMS							
Institutional Shareholder Services, Inc. (ISS)				Glass, Lewis, & Co., Inc.			
ESG RESEARCH AND DATA PROVIDERS							
MSCI ESG Research	S&P/Trucost	RepRisk	Bloomberg	ISS	RisQ	Equilar	Clarity AI

All our selected third-party service providers are provided with clear criteria of what we ask of them to support the integration of ESG into our investment and proxy voting processes. We hire these third-party service providers for a specific purpose or to fill an existing data or research need. Each provider is evaluated through multiple channels. As described further below, MFS has implemented a robust vendor management program, which includes a due diligence framework driven by a risk analysis of each service provider. We also have a vendor contract process, which ensures that material terms are considered and clear expectations are reflected and achieved. Finally, on a more informal basis, members of our investment team regularly communicate with these service providers to provide feedback on the quality of research and data received. These meetings help ensure our data providers understand our needs.

MFS monitors all its service providers, including the proxy advisory firms and ESG research and data providers listed in the above tables, through a centrally organized vendor management program. This program provides a framework management can use to identify, measure, monitor and control the risks associated with outsourced vendors and other vendor services. Our vendor selection and monitoring process employs a risk-based approach utilizing tools and techniques detailed in the program. The program is administered through the MFS Vendor Management Policy and Procedures, which are overseen by the firm’s Enterprise Risk Management Department.

Our policy also provides a framework for vendor selection and ongoing due diligence. Specifically, a vendor relationship manager is assigned to each service provider, is ultimately responsible for the management and oversight of the relationship and serves as the primary point of contact between MFS and the provider. Each provider is assigned a materiality risk rating, which determines the type of oversight and monitoring that is performed. Providers that have access to nonpublic information regarding MFS’ portfolio holdings or other confidential information, such as proxy advisory firms and ESG research and data providers, are considered “critical vendors” and therefore 1) subject to due diligence reviews every 12 to 18 months and 2) required to provide the results of independent audits on their operations where applicable. Service providers that are not considered critical are subject to the same due diligence reviews but less frequently, typically every 18 to 24 months, or, in the case of service providers that provide products solely for MFS’ consumption, subject only to the ongoing monitoring of deficiencies and other red flags.

Other key monitoring techniques employed in the program include the following:

- Ad hoc or informal feedback
- Identification of fourth-party sub-service providers
- Establishment and monitoring of service levels
- Site visits
- Periodic meetings

When appropriate, service providers are evaluated by the MFS Business Continuity and Information Technology and Security groups to ensure their compliance with MFS standards.

Written agreements are in place with each service provider. These agreements generally include contractual assurances appropriate to the nature of the services being performed. Contractual terms are maintained in accordance with MFS standards that are developed in partnership with the firm’s subject matter experts. For example, our Information Security team and privacy officer are responsible for the contractual terms governing data protection and information security terms. Service provider invoices are evaluated for accuracy upon receipt and prior to payment.

MFS conducted due diligence reviews of both proxy advisory firms, Glass Lewis and ISS, along with MSCI, Bloomberg and Clarity AI. These reviews involved an analysis, where applicable, of each firm's 1) adequacy and quality of staff, 2) conflict of interest procedures, 3) independent audit reports, 4) data security, 5) business continuity planning and 6) the voting guidelines and methodologies, where applicable. Additionally, the firm required quarterly reports from these service providers concerning any violations or changes to their conflict of interest procedures. Other ESG data and research providers used by MFS, namely TruCost, RisQ, Equilar and RepRisk, were classified as lower-risk and therefore were not subject to a due diligence review this year.

Based on the reviews conducted of each ESG research and data provider and proxy advisory firms used by MFS in accordance with the above process, there were no material deficiencies or issues or violations of the relevant written agreements to report for 2022. MFS believes that all ESG research and data providers and proxy voting advisory firms used by the firm in 2022 met the firm's expectations and added value to our stewardship program.

/ APPENDIX 7: MFS AUM BREAKDOWN BY CATEGORY / 6

We actively manage assets globally for institutional and retail clients in both equity and fixed income strategies. These are available through a variety of account types, including separate accounts and pooled vehicles. The defining feature of our active investment approach is our centralized global research platform through which we manage our clients' assets without regard to geography, client type or account type. We believe this centralized strategy gives us a competitive advantage, allowing us to potentially provide long-term investment performance for our clients by focusing our resources, encouraging global collaboration and maintaining consistency in our decision making.

MFS' assets under management (AUM) as of December 31, 2022, were \$547.6 billion. The following tables breaks down the numbers by asset class and geography.

/ MFS AUM AND CLIENT BASE /

Assets Managed by Asset Class

ASSET CLASS	ASSETS (US BILLIONS)	PERCENTAGE OF TOTAL
Equity	\$454.9	83.1%
Fixed Income	\$65.6	12.0%
Balanced	\$27.1	4.9%
Total	\$547.6	-

Geographic Breakdown of Assets Managed

GEOGRAPHY	ASSETS (US BILLIONS)	PERCENTAGE OF TOTAL
Americas	\$448.8	82.0%
Europe/ME/Africa (EMEA)	\$56.3	10.3%
United Kingdom*	\$4.8	0.9%
Asia Pacific (APAC)	\$42.5	7.8%
Total	\$547.6	-

* Included with EMEA total for purposes of calculating MFS' total AUM.

The table below provides a further breakdown of the firm's global client by client type and geographic region as of December 31, 2022.

Accounts by Type

ACCOUNT TYPE	# OF ACCOUNTS	PERCENTAGE OF TOTAL
Retail Accounts	6511	8.3%
Institutional Accounts	586	91.7%
Total	7097	100%

Accounts by Geography

ASSET CLASS	# OF ACCOUNTS	PERCENTAGE OF TOTAL
Americas	796	66.4%
Europe/ME/Africa (EMEA)	163	13.6%
United Kingdom*	11	0.1%
Asia-Pacific (APAC)	239	19.9%
Total	1198	-

* Included with EMEA total for purposes of calculating MFS' total number of accounts.

/ APPENDIX 8: PROXY VOTING / 12

MFS Proxy Voting Policies and Procedures

MFS has adopted a clear and robust policy on voting securities owned by clients in relation to which the firm has been delegated voting authority. In summary, proxy voting decisions are made in what MFS believes to be the best long-term economic interest of our clients. In addition to this overriding principle, MFS' Proxy Voting Policies and Procedures set forth in the firm's voting policy and approach with respect to specific issues, including but not limited to the election and independence of directors, classified boards (*i.e.*, a board in which only one-third of board members are 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 ESG matters.

Generally, across shareholder meetings, MFS aims to consistently vote consistently on proxy voting proposals that are similar to each other. However, certain proposals, such as those the firm feels could result in excessive executive compensation or that involve ESG considerations, are analyzed on a case-by-case basis by looking at the relevant facts and circumstances. Such proposals are considered by MFS' dedicated stewardship professionals in collaboration with the relevant investment professionals. They seek to ensure that when the votes are cast, it is in the long-term economic interests of the applicable clients. MFS may therefore vote similar proposals differently based on the company, the circumstances or the terms of the proposal. We seek to vote all shares held by our clients, except when subject to cross-border voting impediments such as "share-blocking" requirements.

While the firm generally votes consistently when the securities of an issuer are held across multiple client portfolios, certain MFS separate account clients may retain or reserve voting authority in relation to voting rights attached to securities acquired by MFS on their behalf. Additionally, certain clients may override the firm's intended voting decision by explicitly instructing us to vote differently on behalf of their portfolio. Moreover, MFS may vote differently if the portfolio management team responsible for a particular client account believes that a different voting instruction are in the best long-term economic interest of such account. When it comes to MFS' pooled accounts and vehicles, such as its mutual funds, individual shareholders do not

have the ability to direct MFS' voting due to the collective nature of the products. Voting for pooled accounts and vehicles is done by MFS pursuant to the our Proxy Voting Policies and Procedures.

MFS' proxy voting activities are overseen by the MFS Proxy Voting Committee (which includes senior personnel from the Investment and Legal teams), with the day-to-day management of proxy voting and engagement activity managed and performed by our stewardship professionals. The committee's responsibilities include maintaining and updating the procedures as necessary, monitoring and resolving potential conflicts of interest that arise in our proxy voting activities, considering any special proxy voting issues that come up and determining engagement priorities and strategies with respect to the firm's proxy voting activities. The committee does not include MFS personnel whose primary duties relate to client relationship management, marketing or sales. A copy of the current procedures, which include guidelines that govern how MFS generally votes on specific matters, is available here: www.mfs.com/sustainability.

Monitoring Our Voting Rights

As discussed in the Proxy Voting Policies and Procedures, we work with our proxy advisory firms to monitor and track the shares and voting rights we have. Depending on the client, we use one of two proxy advisory firms, ISS and Glass Lewis, who 1) receive proxy statements and proxy ballots directly or indirectly from our clients' custodian banks, 2) log these materials into a database and 3) match upcoming meetings with client portfolio holdings, which are entered into the proxy advisory firm's system by an MFS holdings data-feed. Through the use of the relevant proxy advisory firm's system, ballots and proxy material summaries for upcoming shareholders' meetings are available online to certain employees and members of the Proxy Voting Committee.

The relevant proxy advisory firm reconciles a list of all MFS client accounts that hold shares of a company's stock and the number of shares held on the record date by these accounts with the proxy advisory firm's list of any upcoming shareholders' meeting of that company. If a proxy ballot has not been received, the proxy advisory firm or MFS contacts the relevant custodian bank to determine why a ballot has not been received.

Securities Lending

As further discussed in MFS' Proxy Voting Policies and Procedures, some MFS' sponsored pooled investment vehicles, such as the firm's US-registered mutual funds, may participate in a securities lending program. For these vehicles, MFS will attempt to recall US securities on loan if the firm or its agent receive timely notice of a shareholder meeting before the relevant record date. There may be instances in which the firm is unable to recall in a timely manner US securities on loan in order to vote these shares. MFS does not generally recall non-US securities on loan because there may be insufficient advanced notice of proxy materials, record dates or vote cutoff dates to allow the firm to recall the shares in a timely manner in certain markets on an automated basis. As a result, non-US securities that are on loan will generally not be voted. If MFS receives timely notice of what the firm determines to be an unusual, significant vote for a non-US security on loan and the firm determines that voting is in the best long-term economic interest of its shareholders, then we will attempt to recall the loaned shares in a timely manner.

/ APPENDIX 9: COMPANIES ENGAGED / 9

We believe that open communication with our portfolio companies is an important part of our ownership responsibilities. Thus members of the investment team regularly engage with our portfolio companies on a variety of topics, including sustainability matters. During 2022, our investment team (including our stewardship team) conducted notable and focused engagements on material topics with the following 164 portfolio companies.

Accenture PLC	Check Point Software Technologies Ltd	Eversource Energy	Lowe's Cos Inc	Ryanair Holdings PLC ADR
Adani Enterprises Ltd	Chubb Ltd	FirstEnergy Corp	Macquarie Group Ltd	Samsung Electronics Co Ltd
Adidas AG	Cie de St-Gobain	Fiserv Inc	McKesson Corp	Samsung Fire & Marine Insurance Co Ltd
Agilent Technologies Inc	Cie Financiere Richemont SA	Flutter Entertainment PLC	Millicom International Cellular SA	Sasol Ltd
AIA Group Ltd	Cie Generale des Etablissements Michelin SCA	FMC Corp	National Australia Bank Ltd	Sea Ltd ADR
Akelius Residential Property AB	Cimpres PLC	Forterra PLC	NatWest Group PLC	Secom Co Ltd
Albemarle Corp	CME Group Inc	Fuji Soft Inc	NAVER Corp	Seek Ltd
Albion Financing 1 SARL RegS 5.25% OCT 15 26	CMS Energy Corp	Fujitec Co Ltd	Nestle SA	Serco Group PLC
Alibaba Group Holding Ltd ADR	CNX Resources Corp	Fukuda Denshi Co Ltd	New Zealand Government Bond RegS 3.5% APR 14 33	Seven & i Holdings Co Ltd
Amazon.com Inc	Coca-Cola Co	Funko Inc	Nippon Steel Corp	Shimadzu Corp
Ameren Corp	Colgate-Palmolive Co	Future PLC	Northrop Grumman Corp	Shriram Transport Finance Co Ltd
American Electric Power Co Inc	Comcast Corp	Genomma Lab Internacional SAB de CV	Novartis AG	Sohgo Security Services Co Ltd
American Express Co	Compass Group PLC	Glencore PLC	NS Solutions Corp	Stanley Black & Decker Inc
American Homes 4 Rent REIT	ConocoPhillips	Grainger PLC	Nuvei Corp	Suncor Energy Inc
Anglo American PLC	Constellation Brands Inc	Graphic Packaging Holding Co	Ocado Group PLC	Swire Properties Ltd
Antofagasta PLC	CoStar Group Inc	Greggs PLC	Omron Corp	Take-Two Interactive Software Inc
Aon PLC	Credicorp Ltd	Heineken NV	Oracle Corp Japan	TaskUS Inc
Arabian Centres Co Ltd	Daiseki Co Ltd	Hellenic Telecommunications Organization SA	Petroleos Mexicanos RegS 3.75% FEB 21 24	TC Energy Corp
ArcelorMittal	Danaher Corp	Henry Schein Inc	Pilgrim's Pride Corp	Telefonaktiebolaget LM Ericsson
Archer-Daniels-Midland Co	Danone SA	Hilton Worldwide Holdings Inc	Portland General Electric Co	Tesco PLC
ASX Ltd	Deutsche Konsum REIT-AG REIT	Hoya Corp	PPG Industries Inc	The Wendys Co
AUB Group Ltd	Duke Energy Corp	Iberdrola SA	PPL Corp	Toronto-Dominion Bank
Axalta Coating Systems Ltd	Eldorado Gold Corp	IDACORP Inc	Prisma SpA	Truist Financial Corp
Bayer AG	Electrocomponents PLC	Industrial Logistics Properties Trust REIT	Public Service Enterprise Group Inc	Univar Solutions Inc
Bellway PLC	Embassy Office Parks REIT	International Game Technology PLC	Q-Park Holding I BV 144A 2% MAR 01 27	Vertiv Holdings Co
Bombardier Inc	Enbridge Inc	Irish Residential Properties REIT PLC REIT	Quanta Services Inc	Vulcan Materials Co
Boston Scientific Corp	Enel SpA	J D Wetherspoon PLC	Queensland Treasury Corp 3.25% JUL 21 26	Walt Disney Co
Broadcom Inc	Engie SA	JBS SA	Republic of Austria Government Bond 0.75% FEB 20 28	Warehouses De Pauw CVA REIT
Builders FirstSource Inc	Eni SpA	Kerry Group PLC	Ritchie Bros Auctioneers Inc	Warner Bros Discovery Inc
Cellnex Telecom SA	EOG Resources Inc	Kimberly-Clark Corp	Rolls-Royce Holdings PLC	Warner Music Group Corp
CenterPoint Energy Inc	Epiroc AB	Koito Manufacturing Co Ltd	RWE AG	Weir Group PLC
CEZ AS	Equifax Inc	LEG Immobilien SE		Whitbread PLC
Charles River Laboratories International Inc	ESR Cayman Ltd			Yamato Holdings Co Ltd
Charter Communications Inc	Essex Property Trust Inc REIT			



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.

MFS may incorporate environmental, social, or governance (ESG) factors into its fundamental investment analysis and engagement activities when communicating with issuers. The examples provided above illustrate certain ways that MFS has historically incorporated ESG factors when analyzing or engaging with certain issuers but they are not intended to imply that favorable investment or engagement outcomes are guaranteed in all situations or in any individual situation. Engagements typically consist of a series of communications that are ongoing and often protracted, and may not necessarily result in changes to any issuer's ESG-related practices. Issuer outcomes are based on many factors and favorable investment or engagement outcomes, including those described above, may be unrelated to MFS analysis or activities. The degree to which MFS incorporates ESG factors into investment analysis and engagement activities will vary by strategy, product, and asset class, and may also vary over time. Consequently, the examples above may not be representative of ESG factors used in the management of any investor's portfolio. The information included above, as well as individual companies and/or securities mentioned, should not be construed as investment advice, a recommendation to buy or sell or an indication of trading intent on behalf of any MFS product.

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Statistics included in this report are calculated based on accounts for which MFS clients have fully delegated proxy voting authority pursuant to the MFS Proxy Voting Policies and Procedures. With the exception of the meetings voted statistics listed on page 47 of this report, all voting statistics exclude instances where MFS did not cast a vote. Statistics also do not include instances where an MFS client may have loaned shares and therefore was not eligible to vote. Statistics are calculated on a meetings-level basis. All engagement statistics listed above include only those managed by the MFS proxy team.

As an active manager, please be advised that the companies named in this report may no longer be held by an MFS client at the time that this report is published.

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