



MFS[®] Stewardship Report

Fourth Quarter 2024

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Sustainability at MFS

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

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

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

This report provides a quarterly update of our sustainability and stewardship activity. We hope it offers our clients insights into our sustainability approach and how we allocate their capital responsibly.

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



Dedicated sustainability professionals

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 ESG Research and Stewardship, Client Sustainability Strategy, Legal, Compliance and Information Technology teams, as outlined below.

Investment & Stewardship				
ESG Research & Strategy Team				
<i>Director of Global ESG Integration</i> Rob Wilson	<i>Fixed Income Research Analyst</i> Mahesh Jayakumar	<i>Director of Global Stewardship</i> Franziska Jahn-Madell	<i>Stewardship Coordinator</i> Alexandra Schoepke	<i>Stewardship Senior Associate</i> Xinyi Wan
<i>Equity Research Analyst</i> Pooja Daftary	<i>Fixed Income Research Associate</i> Gabrielle Johnson	<i>Stewardship Analyst</i> Andrew Jones	<i>Stewardship Senior Associate</i> Herald Nikollara	<i>Stewardship Associate</i> Halley Scatchard

Client Facing	
Client Sustainability Strategy	
<i>Global Head of Sustainability Strategy</i> Bess Joffe	<i>Strategist</i> Daniel Popielarski
<i>Senior Strategist</i> George Beesley	<i>Lead Analyst</i> Tessa Fitzgerald
<i>Strategist</i> Pelumi Olawale	<i>Analyst</i> Yasmeen Wirth

Legal & Compliance	
Legal & Compliance	
<i>Managing Counsel</i> Susan Pereira	<i>Compliance Lead Specialist</i> Corey Bradley
<i>Compliance Officer</i> Justin McGuffee	<i>Regulatory Senior Specialist</i> Nicholas Pirrotta

Global Information Technology
Agile ESG Team
<i>This team currently consists of several business system developers supporting our ESG integration efforts.</i>

ESG Research and Stewardship

Our investment team includes dedicated specialists who assist in strategy development, research, engagement and voting. All these individuals share a common goal of driving more efficient and impactful research and engagements across our holdings; some of these individuals also have more specialized roles to ensure the effective execution of our proxy voting rights. This group comprises ten individuals, including a director of ESG integration, a director of global stewardship and eight dedicated sustainability and stewardship specialists across both equity and fixed income.

Client Sustainability Strategy

A team of six are dedicated to engaging with our clients and the investment industry on ESG issues as well as developing thought leadership around sustainability topics. This team plays an important role, for example, in helping industry participants understand how MFS approaches sustainability.

Legal and Compliance

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

Information Technology

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

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Sustainability and Stewardship Update

Fourth Quarter 2024

There were no material changes to our overarching sustainability and stewardship practices or policies during the fourth quarter of 2024.

ESG research and stewardship update

In the quarter, our sustainability team held an offsite in our London office where sustainability team members met amongst themselves and with firm leadership to outline the sustainability strategy for 2025. The team evaluated progress made on MFS's climate integration and stewardship initiatives as well as on the recently implemented sector allocation process. The team also reviewed 2024's proxy season and outlined potential enhancements for 2025. Key decision points from the offsite were then presented to senior leadership for additional discussion.

Members of the sustainability team worked alongside investment team colleagues on a number of research areas, including a consumer staples initiation on US protein companies and a consumer cyclicals initiation on EU supermarkets and grocers. There were several notable engagements in the quarter, including with a large-cap EU dairy producer, which had made significant progress in its methane reduction program.

Our ESG agile team launched a new technology feature on the ESG dashboard, enabling the investment team to compare companies within a particular sector with peer companies on a range of ESG data points. The relative comparison has been very useful to the broader investment team in highlighting over/under performers and help us focus our engagement and integration efforts even more going forward.

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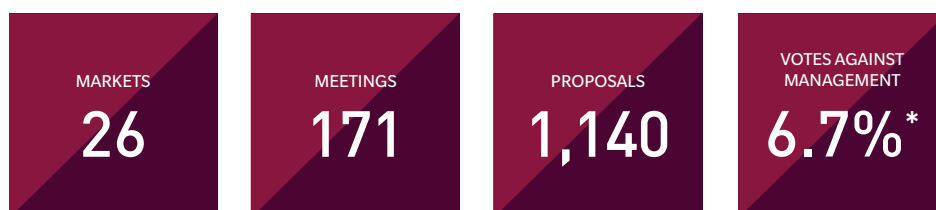
Stewardship at MFS

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

We believe that our approach to engagement can generate positive impacts for industries, individual companies and a wide range of stakeholders, including shareholders. We actively participate in industry initiatives, organizations and working groups that seek to improve and provide guidance on corporate and investor best practices, ESG integration and proxy voting issues. MFS is a member of or signatory to a variety of organizations and initiatives that promote ESG topics, including the Principles for Responsible Investment (PRI), the Workforce Disclosure Initiative (WDI), the CDP, and Ceres. We are actively encouraging our portfolio companies to enhance disclosure and adopt good practices across a variety of ESG topics.

It is our view that the best outcomes are most likely achieved through strong relationships and regular, mutual dialogue with our portfolio companies.

PROXY VOTING ACTIVITY



*Percentage of total votes. MFS voted against management on at least one ballot item at 26.3% of meetings during the quarter.

During the quarter, the annual review of the proxy voting policies was completed, effective January 1, 2025. This year there were relatively few changes, with the more substantive changes being our enhanced expectation for (1) a majority independent board for Japanese companies with a controlling shareholder and listed on the Prime Market, and (2) an independent chair and majority independent compensation/remuneration committees for companies in South Korea.

Recent Engagement Activity

Japanese electronics company

Sector: Technology

Industry: Electronics

Participants: Equity portfolio manager, equity analyst



WE RAISED OUR CONCERN AROUND THE FACT THAT THE COMPANY HAD NUMEROUS CROSS-SHAREHOLDINGS.

In a recent engagement with the company, we raised a series of governance-related concerns around the company’s succession planning and board member activity. Unfortunately, many of these concerns were not meaningfully alleviated in our meeting. In our opinion, the company’s current executive leadership structure is unclear, with changes underway and a current chairman role that may have outsized executive power. It remains unclear to us how a new management team would be ushered in after the end of the current CEO’s term.

We also raised our concern around the fact that the company had numerous cross-shareholdings. We heard little that suggested action to unwind these. Given the company’s hesitancy to unwind smaller cross-shareholdings, we were not confident that the company will take action to unwind from larger positions.

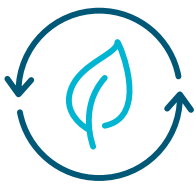
Following this meeting, we escalated the engagement with company executives by participating in a follow-up meeting and delivering a letter expressing our governance-related and other concerns. The contents of the letter also recommended action in line with the goals of the Japanese Governance Code. In our latest interaction with the company, we were pleased to find them seemingly more receptive to our concerns and recommendations and they communicated their intention to detail specific plans on these efforts. We will continue to engage with the company and monitor their implementation of plans.

European food producer

Sector: Consumer Staples

Industry: Food & Beverage

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



FROM A GOVERNANCE STANDPOINT, WE BELIEVE THAT SUSTAINABILITY IS SUFFICIENTLY EMBEDDED INTO THE COMPANY'S CORE BUSINESS.

We conducted an engagement to better understand how the company was considering ESG targets as part of management remuneration, board independence, raw material sourcing and deforestation. From a governance standpoint, we believe that sustainability is sufficiently embedded into the company's core business and that the current board structure is suitably independent given the company's private equity ownership. The company intends to change this as it heads towards potentially being listed in the mid- to long term. In our conversations on material sourcing, the company communicated that it aims to source oils as locally as possible and that its palm oil — which accounts for over one-third of the company's total plant oils volume — is 100% sustainably sourced.

Overall, we were encouraged by the company's willingness to engage and participants' preparedness for the discussion. The meeting helped us gain insights into various ESG considerations potentially material to the credit story. The company appeared to be open to continuing the dialogue.



Large extractives company

Sector: Capital Goods

Industry: Metals & Mining

Participants: Equity portfolio manager, fixed income analyst, equity and ESG analyst



EARLIER IN THE YEAR, WE ENGAGED AN EXTRACTIVES COMPANY ON HUMAN RIGHTS STANDARDS, PERFORMANCE AND RELATED ISSUES.

Earlier in the year, we engaged an extractives company on human rights standards, performance and related issues. Though some context was gained from this engagement, questions remained over the company's related governance structure and the extent of board oversight and involvement with ESG issues. In a subsequent meeting with a board director, we sought to better understand board oversight of related risks and the board's comfort level that the appropriate standards and performance were being achieved. The answers raised further need for clarification, which we followed up on with investor relations and the head of sustainability, and we plan to engage further on this in the new year.



North American bank

Sector: Financial Services

Industry: Major Banks

Participants: Equity portfolio manager and equity and ESG analysts



WE USED OUR CONVERSATION TO INVESTIGATE THE ROOT CAUSES OF THE FAILINGS, AND TOUCHED ON TOPICS INCLUDING CULTURE, PROCESS AND GOVERNANCE.

Following the exposure of significant compliance failures at the bank, we met twice this year with several members of the board. In the most recent meeting, when more information was known as to the extent of the failures, we strongly expressed our disappointment and shareholder concerns. We used the conversation to investigate the root causes of the failings, and touched on topics including culture, process and governance. We appreciated the seriousness with which the board was taking the issue, and their time dedicated to it, as well as the extent of management and process change, including recruiting relevant talent.

We will continue to engage to understand whether necessary changes have been made and are effective. We intend to engage again ahead of the company's annual meeting to determine our vote on director elections and executive compensation.



North American power utilities companies

Sector: Energy

Industry: Electric Power

Participants: Equity portfolio managers and equity, fixed income and ESG analysts



WE WILL REVIEW LEARNINGS TO IDENTIFY WHICH COMPANIES WE NEED TO MONITOR MOST CLOSELY AND ENCOURAGE PERFORMANCE IMPROVEMENT.

Over Q4 we engaged with seven North American power utilities on physical risk resilience and decarbonization progress and plans. On physical risk resilience, over the last couple of years we have heard from the utilities that they have experienced unprecedented extreme weather in their territories, and we have observed that the quality of preparation and response to such events, and risk exposure, has diverged notably across the industry. As such, we sought to identify relative performance on resiliency of transmission, distribution and generation assets, and relative exposure to service disruption and costs going forward. We will review learnings to identify which companies we need to monitor more closely and encourage performance improvement.

On decarbonization, we sought to understand any impact to plans from the substantial increase in forecast load growth driven by electrification, re-industrialization and in particular AI-driven data center development. Again, the discussion helped differentiate companies on their approaches to potential growth, preferred solutions and technologies and the likelihood of achieving decarbonization goals, both in the medium and longer term. We will continue to monitor company resource planning and balancing of growth opportunities with reliability, affordability, low carbon and other priorities.



North American power utility company

Sector: Energy

Industry: Electric Power

Participants: Equity, fixed income and ESG analysts



WE ENGAGED WITH THE COMPANY ON SAFETY PERFORMANCE AND ENCOURAGED CLEARER REPORTING.

Our internal ESG data dashboards identified one power utility company as an outlier on worker safety, with a negative trend on key safety rates over the prior few years. We therefore engaged with the company on safety performance and encouraged clearer reporting. We gained some comfort that management of the issue may be improving, and we will continue to monitor this. We also encouraged the company to revise the safety metrics included in executive compensation to reflect the most important safety issues, and we will review what is included going forward.





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

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