

# MASSACHUSETTS FINANCIAL SERVICES COMPANY

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In February 2021, Massachusetts Financial Services Company (MFS) issued its **2021 Proxy Voting Policies and Procedures**. The policy is largely unchanged from the investor's 2020 policy report, with the biggest changes for this year being clarifications related to:

1. Its approach to election of directors
2. Its position on independent chair proposals; and
3. The analysis process that MFS undertakes to arrive at a voting decision.

The changes are summarized in the report below, along with historical MFS voting insight that we feel is relevant going into the 2021 proxy season.

Georgeson's 2020 MFS voting policy summary can be found [here](#).

## Election of directors

Historically, MFS has shown a high level of support in director elections, although it is worth noting that this support has waned somewhat recently. As you can see below, support for directors has decreased in each of the last 3 years<sup>1</sup>. The table depicts MFS's frequency in voting for director elections for companies in the S&P 1500 over the last four years. We noted this decrease in director support in previous years' updates on MFS's guidelines as being most likely due to its introduction of policy changes in 2018 requiring gender diversity and strengthening its stance on overboarding since then. From all appearances, last year's voting activity further underscores this reasoning.

Investor	2017	2018	2019	2020
MFS Investment Management, Inc.	97.4	95.4	94.1	94

## Updates to Policies on Director Support and Board Diversity

As in previous years, MFS has provided two unique sections detailing how it considers voting in director elections:

1. a section on what it considers in the election of directors at US companies; and
2. a section on non-US markets.

New this year is that the section listing the considerations for directors at US companies is solely for US companies. In last year's guidelines, the standards applied to directors at US companies as well as those for companies in Canada and Europe. This year, Canadian and European issuers have been included with all other non-US issuers.

Furthermore, MFS has added language to its policy on US director elections regarding board composition. This language states that MFS seeks a greater degree of diversity on boards, and that this diversity should extend beyond just gender diversity. To that end, MFS now states that it will consider other factors besides gender composition in how it evaluates its decision to vote for director elections, including race, ethnicity, and geographic location. It will also consider a greater degree of gender diversity on certain boards where it believes that it is warranted.

For non-US issuers, MFS has expanded the criteria that it will use to evaluate the election of directors. In addition to the criteria mentioned last year, MFS will also now consider voting against directors when it feels that the company has not taken sufficient action on a matter that received a majority vote at the previous year's meeting. It will also consider votes against directors for performance or governance concerns with either directors or the company itself.

Similar to its approach with US directors, MFS has also included language on board composition for foreign issuers. It states that it expects the boards of issuers based in Canada, Australia, or Europe to have at least 15% of its board comprised of female directors. For those issuers that fall short of this standard, MFS states that this may be cause for it to vote against the chair of the nominations and governance committee or equivalent position. It further states that while this standard will explicitly be applied to issuers in Canada, Europe, and Australia, MFS's belief in a gender diverse board may result in it applying this standard to other foreign markets as well. Just as with US boards, MFS states that it might also consider other factors beyond gender in furthering its belief in diverse boards that represent all perspectives including race, ethnicity, and geographic location. It is worth noting that while MFS does mention a willingness to consider other factors beyond gender in its votes for directors at both US and non-US companies, it only lists specific metrics for gender diversity that need to be met in order to avoid an against vote.

## Updates to Policy on Independent Chair Proposals

Found in the section concerning Environmental, Social, and Governance issues, MFS has modified some of the language concerning how it will vote on shareholder proposals requiring an independent board chair. In its 2020 guidelines, MFS stated that it would generally support independent chair proposals absent a lead independent director or similar strong counterbalancing leadership setup. The rationale for this change in policy was given in this investor insight posted on its website [here](#). For 2021, MFS continues to state that it will generally support these proposals. However, it has further clarified that should a lead independent director or similar leadership structure exist, it will instead evaluate the proposal on a case-by-case basis. As you can see from the graph below, support for such proposals in 2020 nearly doubled compared to both year-over-year and the average support of the previous three years.

Investor	For (%)			
	2017	2018	2019	2020
MFS Investment Management, Inc.	19.2	25.8	20	39.4

## Updates to Proxy Analysis

MFS has also added language further clarifying how it analyzes proxies and arrives at the decisions for the votes that it casts. As in previous years, MFS states that its proxy administrator will automatically cast votes based on its guidelines for matters that do not require exercise of discretion or judgement. However, it has further clarified that on occasions where its proxy administrator has informed MFS that it expects to vote against management, and where MFS has also found that the issuer has or will file supplemental proxy materials sufficiently ahead of the voting deadline, it will consider those materials before determining whether it will override or go along with the vote its proxy administrator plans to cast. MFS also has added language on what sources of information it uses to do its proxy analysis. Sources include:

- > Company proxy statement and other associated materials
- > Third party research (MFS subscribes to both Glass Lewis and ISS); and
- > Its own proprietary in-house research to determine how it will cast its vote.

Of particular note, MFS has also added language stating that it will engage with the issuer if it feels that doing so would be beneficial.

MFS's updated 2021 U.S. proxy voting policies can be accessed [here](#).

**Please contact Georgeson with questions. We can be reached by email at [info@georgeson.com](mailto:info@georgeson.com) or call us at (212) 440-9800.**

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<sup>1</sup> Source: Proxy Insight Ltd.

<sup>2</sup> Data provided by [Georgeson's 2020 Annual Corporate Governance Review](#), in partnership with Proxy Insight Ltd.