



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

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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.

Risks

- Rising sea levels
- Storm frequency

Opportunities

- Prevention, maintenance, design

Risks

- Technological/Regulatory
- Asset stranding

Opportunities

- Direct
- Indirect



Risks

- Legal liability regarding climate impacts

Opportunities

- N/A

Risks

- Consumer/Investor stigmatization of certain industries

Opportunities

- 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.

MFS has published the [MFS Climate Principles](#) that sets forth our beliefs as investors with regard to the risks and opportunities associated with climate change. The document details our expectations for company disclosure, planning, and action in light of regulatory focus on society achieving net zero emissions by 2050. We invite you to view the document on our website.





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 (<i>i.e.</i>, Disclose, Plan and Act) MFS Climate Principles</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 (<i>e.g.</i>, 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	
Equity - Global	WACI	Coverage (%)	WACI	Coverage (%)
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 2 GHG emissions tons CO ₂ e	130,571,824.00	94%





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