

MFS International (U.K.) Limited TCFD Disclosure

Introduction and Compliance

MFS is a signatory to the Task Force on Climate-Related Financial Disclosures (“**TCFD**”) and we are pleased to present our annual report in line with the TCFD recommendations. This report demonstrates our progress in integrating climate-risk awareness into our business operations and investment strategy.

We consider the disclosures in this report to comply with the requirements in chapter 2 of the Environmental, Social and Governance sourcebook (“**ESG Sourcebook**”) of the FCA Handbook that require certain UK asset managers to publish entity level disclosures consistent with the TCFD recommendations.

Overview

MFS International (U.K.) Limited (“**MIL UK**”)¹ and its affiliates (collectively “**MFS**”) collaborate to provide investment management services to institutional investors on a global basis. As an active long-term investment manager, our purpose is to create long-term value by allocating capital responsibly through the MFS integrated research platform and engagement with issuers. At MFS, we integrate environmental, social and governance (“**ESG**”) factors that we believe to be financially material into our investment decision making process.

Given recent and proposed regulatory changes and broader developments, climate change is likely to be a critical investment topic in the decades ahead, creating financially material risks and opportunities for many corporate, sovereign and sub-sovereign issuers.

As the MIL UK approach towards climate risks and opportunities is aligned with the broader MFS group approach, this report relies on and cross-refers to the group level disclosure in the MFS Strategic Climate Action Plan which is TCFD aligned and attached to the MFS 2024 Annual Sustainability Report published by MIL UK’s parent company, MFS Investment Management which is available at:

<https://www.mfs.com/en-gb/institutions-and-consultants/insights/sustainability/mfs-strategic-climate-action-plan.html>.

Each of the 4 TCFD pillars: Governance; Strategy; Risk Management; Metrics and Targets; set out in the MFS Strategic Climate Action Plan are applicable to MIL UK and cover the assets under the management of MIL UK. References are also made to the 2024 MFS Annual Sustainability Report and MFS 2024 Net Zero Progress Report which provide additional information relevant to TCFD pillars that interested stakeholders may find helpful which can be accessed on www.mfs.com.

MIL UK and its affiliates operate as an integrated functional entity and apply the same climate change strategy, investment process and risk management approach. As set out in the MFS TCFD Report, as long-term investors seeking to understand the duration and stability of financial returns, we assess and manage climate change risk at both the issuer (company, sovereign and sub-sovereign) and portfolio level.

The reference period covered by this report and the MFS Strategic Climate Action Plan is 1 January 2024 to 31 December 2024.

Governance

At an entity level, the governance framework for climate matters is consistent with the broader group’s framework which is described in the Governance section of the MFS Strategic Climate Action Plan. The MIL UK board is ultimately responsible for overseeing the business of the firm, including the entity’s framework and strategy regarding climate risks and opportunities.

¹ MIL UK is authorised and regulated by the UK Financial Conduct Authority (“FCA”). This report has been prepared pursuant to Chapter 2 of the Environmental, Social and Governance sourcebook of the FCA Handbook (“**ESG Sourcebook**”).

The MIL UK board annually reviews MIL UK's TCFD disclosure, and as part of that it will consider MIL UK's approach towards climate risks and opportunities (which is expected to remain aligned with the group level approach).

Strategy

MIL UK's strategy for climate risks and opportunities is consistent with the group-level strategy, as set out in the Strategy section of the MFS Strategic Climate Action Plan, beginning with in-depth fundamental issuer and industry analysis and focusing on understanding legal, transition and reputational risks. As MIL UK only delegates the management of client portfolios to its affiliates, clients benefit from a consistent MFS-wide strategy on climate risks and opportunities.

We believe climate change is a systemic investment risk that cannot be diversified away. Future investment returns are likely to be impacted by climate change, the policies designed to combat it and consumer or shifts that occur to mitigate its effects. In July 2021, MFS joined the Net Zero Asset Managers initiative ("NZAM"). As a signatory, MFS is committed to supporting the goal of achieving net zero carbon emissions by 2050 or sooner, in line with global efforts to limit temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees. Our approach to net zero alignment is founded upon engagement, not ex-ante exclusion. We believe that alignment can be effectively and constructively achieved by engaging with companies (see MFS Strategic Climate Action Plan). Our NZAM engagements are prioritised based on a number of factors using an annual tiering system which guides the frequency and intensity of engagement, internal reporting requirements and allocation of central resources.

As with all risk and opportunities, our assessment of environmental issues including climate change begins with in-depth fundamental issuer and industry analysis in assessing the impact of different climate outcomes which remains highly uncertain. This informs our engagement priority assessment based on total firm position size across, proportion of ownership (in relation to equity), internal conviction, sectoral exposure to climate related risks, GHG emissions equivalent and status of net zero and interim targets (see pages 5 and 6 of the MFS 2024 Net Zero Progress Report). Our case studies in the MFS 2024 Net Zero Progress Report illustrate the MFS engagement led approach to identify the risk and opportunities over our interim NZAM targets to achieve alignment by 2030, 2040 and 2050 in respect of equity and corporate debt investments (see pages 10-21).

https://www.mfs.com/content/dam/mfs-enterprise/mfscom/insights/2023/March/pdfs/mfse_fly_1726589.pdf

While our approach to ESG approach to integration is consistent across asset classes, specialised considerations apply to sovereign fixed income instruments. Please refer to pages 26 of the 2024 MFS Annual Sustainability Report which includes information on our consideration of climate risk on sovereign debt.

Risk Management

MIL UK's approach towards identifying, monitoring and managing climate risks within portfolios is consistent with the group level risk framework described in the Risk Management section of the MFS Strategic Climate Action Report. The risk management process is aimed at ensuring that each MFS strategy takes an appropriate level of risk that is disciplined and consistent with investment philosophies of a mandate while also meeting long-term investment objectives. Risk impacting each strategy may take the form of systemic or issuer specific factors. As a result, we take a collaborative approach to assessing and managing portfolio risks to ensure all types of risk, including climate risks, are identified and managed at security level and portfolio level (which includes periodic portfolio review by sustainability focused analysts), see page 56 of the 2024 MFS Annual Sustainability Report for more information. For information relating to our sovereign risk model please refer to page 29 of the 2024 MFS Annual Sustainability Report.

Metrics and Targets

MIL UK uses the same metrics to assess climate related risks and opportunities at an entity level as the broader MFS group, as set out in the Metrics and Targets section of the MFS Strategic Climate Action Report. We use a wide range of metrics and data analysis when monitoring climate risk at the security and portfolio levels. As explained above, MFS supports the goals of the Paris Agreement and the efforts to limit global warming to well below 2 degrees Celsius above preindustrial levels. Our NZAM net zero alignment targets

and progress tracker relating to equity and corporate debt instruments are set out on pages 9 and 10 of the MFS Strategic Climate Action Report. For sovereign debt analysis, we have constructed a ESG dashboard which allows us to create ESG specific scoring at country level including climate change. Please refer to pages 27 and 28 of the 2024 MFS Annual Sustainability Report.

For completeness, as stated on page 20 of the MFS Strategic Climate Action Plan, MFS' carbon footprint metrics currently only cover equities and corporate bonds. We will consider including other asset classes including sovereign bonds when we believe the necessary data is sufficiently reliable and comparable.

Climate-Related Data

The availability of high quality, reliable and comparable climate-related data underpins the decarbonization transition. It is necessary to scale up financing for adaptation and aligning financial flows with climate resilience development goals. The IMF has noted that strengthening the climate information architecture is paramount to promote transparency and global comparability of data. It will take time for such an architecture to develop which means that users of such data must manage and contend with gaps, time lags, complexity, and a lack of granularity in the meanwhile. This may, for example, mean using proxies, older data and making methodological assumptions. At MFS, we have gathered and used quality climate data from a range of primary sources such as issuers and secondary sources like specialist providers; however, we continue to seek out new sources.



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