

MFS International (U.K.) Limited TCFD Disclosure 2024

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 are financially material into our investment decision making process.

We consider that climate change will be a defining investment topic for the decades ahead, creating risks and opportunities for businesses. We support the Paris Agreement and the efforts to limit global warming to 1.5 degrees Celsius above preindustrial levels. Given the current trajectory of global emissions, achieving this target will require meaningful action by a range of stakeholders.

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 TCFD report published by MIL UK’s parent company, MFS Investment Management (the “**MFS TCFD Report**”), 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; as well as our road map for 2024, set out in the MFS TCFD Report are applicable to MIL UK and cover the assets under the management of MIL UK.

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 TCFD Report is 1 January 2023 to 31 December 2023.

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 TCFD Report. 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 TCFD Report, 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.

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 warming to 1.5 degree Celsius. Our approach to net zero alignment is founded upon engagement, not exclusion. We believe that alignment can be effectively and constructively achieved by engaging with companies (see MFS TCFD Report). 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. For further information on our ongoing NZAM initiatives, please refer to the MFS NZAM Progress Report which includes a progress tracker, tiering table and case studies on our engagement approach with portfolio companies: <https://www.mfs.com/en-gb/institutions-and-consultants/insights/sustainable-investing/mfs-net-zero-progress-report.html>.

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 TCFD Report. Risks and opportunities are considered when evaluating climate change along with an annual review designed by MFS ESG specialists to review material ESG risks, including climate risk, at security and portfolio levels.

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 TCFD Report. These metrics and targets will generally be applied across all the products managed and services provided by MIL UK, where appropriate and relevant. MIL UK takes a consistent approach to the group in setting climate targets and, as mentioned above and similar to the MFS group, MIL UK supports the Paris Agreement and the efforts to limit global warming to 1.5 degrees Celsius above preindustrial levels.

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.



Mitchell Freestone
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