



CLIMATE TRANSPARENCY REPORT 2019

MFS Investment Management

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-41B40E8D-3F9D-43BF-BCED-1AF3F4E15679/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	-	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	-	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	✓	Public				
SG 14.5	-	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	MFS Investment Management
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ > 50 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2010
Region	North America
Country	United States
Disclosure of Voluntary Indicators	79% from 38 Voluntary indicators

MFS Investment Management

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

To help our clients achieve their investment objectives, we employ an investment approach that focuses on identifying companies and issuers with sustainable, long-term competitive advantages. As part of this approach, we believe that the integration of environmental, social, and corporate governance (ESG) factors into our research is essential, as these issues often impact the sustainable value of businesses.

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

MFS' Policy on Responsible Investing was established in 2009. The policy broadly describes how MFS incorporates ESG issues into our investment process for all portfolios managed by MFS. The policy document also discusses the incorporation of ESG issues into ownership practices, ESG-related voting and engagement activities, conflicts of interest and oversight of collaborative initiatives. In addition to the Policy on Responsible Investing, we have adopted a Policy on Engagement Activities that describes our engagement activities with respect to ESG issues and a MFS Proxy Voting Policies and Procedures that describes our proxy voting activities. The policy is reviewed at least annually by the MFS Responsible Investing Committee and updated as needed.

At MFS, our individual fundamental research analysts and portfolio managers are responsible for integrating all factors-including ESG considerations-that could materially impact the outcome of the investment process for all securities and all MFS-managed portfolios. Additionally, MFS' Proxy Voting Committee oversees the integration of ESG issues into our proxy voting activities.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General
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**SG 01.6
CC**

Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.

Asset stranding, regulatory and litigation risks, carbon pricing and taxation, technological disruption, insurance liabilities, and others.

**SG 01.7
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

**SG 01.8
CC**

Indicate the associated timescales linked to these risks and opportunities.

Timescales for climate related risks vary. We assess risk timescales on a company by company basis.

No

**SG 01.9
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

Explain the rationale

MFS has publicly stated its support for the TCFD and its mission; however, we have not signed on to be listed as a supporter on the TCFD website.

**SG 01.10
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

We maintain a robust ESG integration framework that supports the incorporation of all ESG issues that we deem financially material, including climate-related risks and opportunities, into our investment decisions.

No

SG 1.12 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

	specify
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We are currently evaluating reporting methods for TCFD-related disclosures.

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- Policy setting out your overall approach

	URL/Attachment
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- URL

	URL
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{hyperlink:http://www.mfs.com/sustainability}

- Attachment (will be made public)

- Fiduciary (or equivalent) duties

	URL/Attachment
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- URL

	URL
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{hyperlink:http://www.mfs.com/sustainability}

- Attachment (will be made public)

- Asset class-specific RI guidelines

	URL/Attachment
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- URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment (will be made public)

Screening / exclusions policy

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment (will be made public)

Engagement policy

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment (will be made public)

(Proxy) voting policy

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment (will be made public)

We do not publicly disclose our investment policy documents

SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{[hyperlink:http://www.mfs.com/sustainability](http://www.mfs.com/sustainability)}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{hyperlink:http://www.mfs.com/sustainability}

Attachment

Reporting

URL/Attachment

URL

URL

{hyperlink:http://www.mfs.com/sustainability}

Attachment

Climate change

Understanding and incorporating client / beneficiary sustainability preferences

URL/Attachment

URL

URL

{hyperlink:http://www.mfs.com/sustainability}

Attachment

We do not publicly disclose any investment policy components

Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
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SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

Oversight/accountability for climate-related issues

Assessment and management of climate-related issues

No responsibility for climate-related issues

Other Chief-level staff or head of department

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.7
CC For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

MFS President, chief investment officer and asset class CIOs are members of the MFS Sustainability Group, which provides direct oversight of our sustainable investing initiatives. This includes initiatives, strategies, and collaborative opportunities that MFS may implement or participate in related to climate change. MFS has been a member of the CDP since January 2010. We measure the carbon intensity of our portfolios and we consider the impact that climate change, carbon emissions and related regulation could have on the future viability of the businesses we consider for investment.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1 Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, to assess future ESG factors

Describe

At MFS we use a variety of proprietary modelling tools to evaluate the potential materiality of relevant ESG factors to the long-term sustainability of issuers.

- Yes, to assess future climate-related risks and opportunities

	Describe
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We evaluate the potential impact of climate change on businesses and issuers using proprietary modelling tools and other information that informs our fundamental, bottom-up ESG research.

No, not to assess future ESG/climate-related issues

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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	We do the following
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- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

Please see comments below

We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]
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Sector and geographic ESG concerns are a part of our research process. For example, our tech ethics framework specifically includes geographic considerations as a factor in selecting securities.

SG 13 CC	Voluntary	Public	Descriptive	General
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SG 13.4 CC	Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.
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- Initial assessment
- Incorporation into investment analysis

	Describe
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We analyse climate-related risks and opportunities for each company that we evaluate. We utilize proprietary research tools to assess the materiality of such risks and opportunities to relevant valuations.

- Inform active ownership
- Other

**SG 13.5
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

specify

Investment research analysts

**SG 13.6
CC**

Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.

- Yes

Describe

In certain circumstances, as warranted, we have evaluated climate-related risks and opportunities beyond the expected time horizon.

- No

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios the organisation uses.

Provider	Scenario used
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)
IEA	<input type="checkbox"/> New Policy Scenario (NPS)
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)
IRENA	<input type="checkbox"/> RE Map
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	<input type="checkbox"/> BNEF reference scenario
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input type="checkbox"/> RPC 6
IPCC	<input type="checkbox"/> RPC 4.5
IPCC	<input type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1 Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

Tax avoidance by multi-nationals, the impact of state ownership on governance in emerging markets, income and wealth inequality, etc.

- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

Substantial firm wide investments in energy efficiency-focused companies.

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Rough brown/green analyses

- None of the above

SG 14.4

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

Proprietary modelling tools. Trucost carbon footprint data.

SG 14 CC	Voluntary	Public	General
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SG 14.6 CC Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To understand risk from potential increases in carbon regulations or asset stranding.	Metric tons of CO2 equivalents per dollar of revenue	As defined by Trucost
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To understand risk from potential increases in carbon regulations or asset stranding.	Metric tons of CO2 equivalents	As defined by Trucost
Portfolio carbon footprint	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To understand risk from potential increases in carbon regulations or asset stranding.	Metric tons of CO2 equivalents	As defined by Trucost
Carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To understand risk from potential increases in carbon regulations or asset stranding.	Metric tons of CO2 equivalents per dollar of revenue	As defined by Trucost
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To understand risk from potential increases in carbon regulations or asset stranding.	Portfolio or company exposure	As defined by Trucost

SG 14.8 CC Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

- Ⓒ Process for climate-related risks is integrated into overall risk management

Please describe

We have developed a comprehensive ESG integration framework that includes both analytic and systematic elements to ensure that we are identifying and incorporating all material ESG risks and opportunities. These elements include deep, collaborative fundamental research on ESG topics as well as individual company evaluations that consider all relevant factors. Systematic dissemination of ESG related data and research also ensures that ESG considerations are widely discussed and evaluated across our investment team.

As with all company related data, if an analyst or portfolio manager believes that a piece of climate-related data is material to client or shareholder value, that individual will incorporate that information into his or her financial model and/or valuation of the firm being evaluated. In addition, our ESG-dedicated research staff use such data to develop thematic research that helps expand our ESG insights and ensure they are shared across sectors and throughout the global investment team.

Process for climate-related risks is not integrated into our overall risk management

**SG 14.9
CC** Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.

Yes

Please describe

We regularly engage with our portfolio companies, both from an investment and proxy perspective, in order to inform our understanding of the materiality of risks and opportunities related to ESG issues such as climate change. Our investment team engages with companies on a consistent basis, often sharing ideas and asking ESG-related questions of management teams during meetings. Additionally, MFS has been a CDP signatory since 2010 and we have engaged with portfolio companies with poor disclosure practices to request that they begin using the CDP reporting framework. We also use CDP research and carbon data from other sources in a variety of stock- and portfolio-level analyses.

No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1 Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

No