



CLIMATE TRANSPARENCY REPORT 2020

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 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-9DEE5359-9FD9-4DDB-8CF4-2C7E71051696/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). 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 2020 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 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	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 14.6 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	81% 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
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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.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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We believe that climate change is a defining investment topic, creating risks and opportunities for all businesses. As long-term investors seeking to allocate capital responsibly, MFS carefully analyzes the current and potential impacts of climate change on all companies held within our client portfolios, as well as those companies being considered for future investment.

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 country commitments (e.g., carbon prices and taxes), changing consumer expectations and preferences (for lower impact products and services), physical disruptions caused by a warming climate, and increased divestment/investment based on individual companies' preparedness for climate change. As long term investors seeking to understand the duration and stability of financial returns, we seek to assess and manage this important issue at both the issuer (company or sovereign or sub-sovereign) and portfolio level. MFS also regularly engages with companies to encourage better disclosure and management of climate risk.

As with all risks and opportunities, our assessment of environmental issues like climate change begins with in-depth, fundamental company and industry analysis. Our investment team has conducted a substantial amount of climate research, which has been shared in sector team discussions, regional investment meetings, thematic presentations, and one-on-one interactions. This research has covered a wide range of industries spanning the highly affected energy, utility, and industrial sectors alongside other industries that are increasingly being impacted by climate change (e.g., real estate, insurance, consumer staples). Our work has focused on understanding risk in four areas: physical, transition, legal and reputational. Our investment team members are increasingly focused on deepening their understanding of environmental risk in sovereigns and its complex links to fiscal and monetary conditions, which in turn affect bond yields and credit ratings. In addition to the company-specific research outlined above, MFS has used carbon intensity analysis to evaluate the climate risk of various portfolios relative to their benchmarks and is exploring more advanced methodologies (e.g., 2 degree scenario analysis).

No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

Describe 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 01.8
CC** Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC** Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

Our research analysts and portfolio managers analyze climate-related risks where material to their coverage and portfolios. Their analysis is augmented by tools and in depth climate related research developed by our ESG-dedicated research analysts.

As a firm, MFS has established a variety of initiatives to reduce our carbon footprint and overall environmental impact.

No

**SG 1.10
CC** Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

We are evaluating broad reporting methods for TCFD-related disclosures; however, in the interim, we are providing information to clients upon request.

We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	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.

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 heads of departments

- 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 management-level roles that assess and manage climate-related issues, provide further information on the structure and processes 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. In addition, the CIO and asset class CIOs are involved in many meetings where climate risk is assessed. 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 carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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Yes, in order 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, in order to assess future climate-related risks and opportunities

Describe

Our investment team has started to evaluate how various climate scenarios could impact individual companies. When done properly, these analyses are highly complex. Given this complexity we plan to continue to evaluate efficiently create scenarios at a company level before moving to portfolio level analysis.

No, our organisation does not currently carry out scenario analysis and/or modelling

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

- 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	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.
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Initial assessment

Describe

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.

Incorporation into investment analysis

Describe

Our investment team has started to evaluate how various climate scenarios could impact individual companies. When done properly, these analyses are highly complex, requiring forecasts of commodity prices, mix shifts in various types of energy, market share changes at an industry and company level, and costs related to carbon taxes/regulations, among many other factors. Given this complexity, we plan to continue to evaluate how to efficiently and effectively create scenarios at a company level.

Inform active ownership

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 and advocate for improvements in corporate behavior and disclosure. Members of our proxy voting team also engage in a dialogue with companies or other stakeholders when we believe that it will enhance our understanding of certain matters on a company's proxy statement. 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 in line with the Paris Agreement's 2-degree Celsius limit. MFS supported a majority of these resolutions in 2019. We have also collectively engaged on climate issues, as noted through our leadership of certain engagements as part of the PRI's methane engagement program.

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 your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its 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.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	<input checked="" 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, technology ethics, 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, Assessing scope 3 emissions and targets

- None of the above

SG 14 CC

Voluntary

Public

General

**SG 14.6
CC**

Provide further details on the 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 type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" 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 type="checkbox"/> Majority of assets <input checked="" 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
Total carbon emissions	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			
Carbon intensity	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" 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 type="checkbox"/> Majority of assets <input checked="" 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 risk management processes used for identifying, assessing and managing climate-related risks.

⊙ Processes for climate-related risks are 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.

Processes for climate-related risks are not integrated into overall risk management

**SG 14.9
CC** Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake 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 undertake active ownership activities.

No, we do not undertake active ownership activities to encourage TCFD adoption.

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