



2023 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
Chair and CEO

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 that 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 will impact financial outcomes for many corporate and sovereign and subsovereign 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 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 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 using what we believe to be high-quality offsets. We appreciate the limitations of carbon offsets, though, and will continue to focus on decarbonizing our footprint further.

In this report, we share our process for integrating into our investment process what we believe to be financially material climate-related risks and opportunities. We 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 chief executive officer, president, chief investment officer, global head of investment solutions, director of global ESG integration, general counsel and other senior leaders responsible for the integration of sustainability issues across MFS. The SEG typically meets monthly to

- develop long-term sustainability corporate strategy, including on climate change related issues
- oversee the implementation of that strategy
- resolve any issues of prioritization and resource allocation for sustainability-related projects

The firm has also established committees, subcommittees and working groups dedicated to the implementation of our sustainability strategy.

Currently, there are three governing bodies that oversee this: the Investment Sustainability Committee (ISC), the Corporate Sustainability Committee (CSC) (formerly the Responsible Investing Committee) and the Proxy Voting Committee.

The ISC, formed in 2021 and chartered on February 17, 2022, includes the firm’s CIO, director of global ESG integration, director of global stewardship, CIO – global fixed income, research analysts and other senior investors. Its primary purpose is to guide and accelerate the implementation of sustainable investing 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 president, chief diversity equity and inclusion officer, global head of sustainability strategy, head of global enterprise risk and chief compliance officer, along with senior investment officers and legal personnel. The committee is responsible for creating and implementing MFS’ sustainability 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 the firm’s adherence to sustainability-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 and Global Investment Operations departments, including the 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 also responsible for promoting engagement with investees on proxy voting topics, including ESG-related proposals.

/ CSO RESPONSIBILITIES FOLDING INTO CIO ROLE /

To date, Barnaby Wiener has served as our chief sustainability officer. Given Barnaby’s retirement later this year, though, we have decided to fold the CSO’s responsibilities into those of the CIO. We believe this move will increase accountability and efficiency and reinforce the message that our Investment Department is responsible for integrating what they believe to be financially material ESG risks and opportunities, leading engagements, and voting proxies in a way we think generates the most value for our clients.

Strategy – Investments

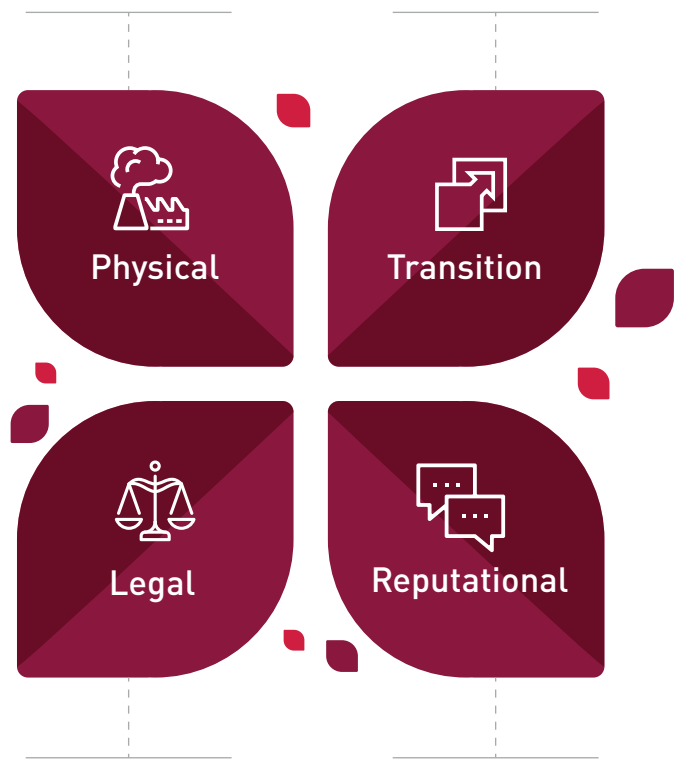
Climate change and regulations related to it are materially impacting many businesses’ revenue growth, margins and returns, cash flows, capital expenditures and valuation. These impacts are arising due to regional and national regulations (e.g., carbon prices and taxes); changing consumer expectations and increased demand for lower-impact products and services; physical disruptions caused by a changing climate; and increased divestment or investment by various investors (other than MFS) based on factors like sector or 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 climate research, which has been shared in sector team discussions, regional investment meetings, our global and international investment roundtables, thematic presentations and one-on-one interactions. The research has covered a wide range of industries, from those in 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.

- | | |
|--|--|
| <p>Risks</p> <ul style="list-style-type: none"> ▪ Rising sea levels ▪ Storm frequency <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Mitigation and Adaptation | <p>Risks</p> <ul style="list-style-type: none"> ▪ Technological/Regulatory ▪ Asset stranding <p>Opportunities</p> <ul style="list-style-type: none"> ▪ Direct ▪ Indirect |
|--|--|



- | | |
|---|--|
| <p>Risks</p> <ul style="list-style-type: none"> ▪ Legal liability regarding climate impacts | <p>Risks</p> <ul style="list-style-type: none"> ▪ Consumer/Investor stigmatization of certain industries <p>Opportunities</p> <ul style="list-style-type: none"> ▪ 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 increased the amount of issuer-reported data available to the team and improved the entire team's access to that data. We have also 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 each issuer in 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 ESG factors impacting the issuers they cover or hold in a portfolio. Each issuer's ESG hub also includes 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), a heat map indicating the magnitude of the risk or opportunity and guidance on addressing the issue during company engagements.

Our investment team has also developed proprietary ESG dashboards that display a wide variety of reported data and other insights for any relevant issuer, including data associated with sustainability topics such as climate commitments, emissions, water usage, diversity, injury rates, employee attrition, data security practices, bribery and corruption controls, executive compensation and governance information, audit quality and controversies.

/ CLIMATE RELATED SCENARIO ANALYSIS – SECTOR, ISSUER AND PORTFOLIO SPECIFIC /

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 regarding how fast industries and regions of the world are implementing the changes. As a result, our investment team has sought to evaluate on a bottom-up basis how different climate outcomes might impact the issuers they cover or own.

Historically, this process of evaluating 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.

While scenarios can provide context for future states, we recognize they are not forecasts. Nevertheless, we use scenario assumptions produced by external organizations on certain matters — such as potential commodity supply and demand and potential pricing of carbon or carbon budgets for the harder-to-abate sectors — as inputs in developing a rounded view on issuers' climate transition plans. When assessing the credibility of climate transition plans, we believe it is important to know what the greenhouse gas emission intensity of a barrel of oil or a ton of steel in a net zero scenario should look like. Our aim is to connect transition risks and opportunity across sectors to understand the impacts that topics such as hydrogen and battery storage, carbon pricing and carbon offsetting and fossil fuel demand and supply may have over the long term on the issuers that we hold. Furthermore, our views are informed by 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.

As noted in last year's report, many third-party tools are available that purportedly 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 the insights generated by our investment team, which comprises more than 300 people around the world. Our concerns with these tools include the following:

- **Transparency**—Although each provider offers a certain amount of detail on its 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 possible outcomes for a single company: one in which carbon targets were not included in the analysis, one in which they were. When the targets were not included, the tool predicted a 50% decline in the value of the company. When they were, it predicted a 50% increase in the value of the company. This increase was based on various unclear 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 that decision making. As the data used by an investor strays further from company-reported data and moves further out into the future, we need to keep in mind 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 not just over years but over decades. Despite that, these tools generate value impacts to two decimal places, which we believe creates an illusion of specificity that would be imprudent to rely on.
- **Highly generalized assumptions**—As would be expected based on the 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 allow the user to "flex" only a few variables, generating an output insufficiently tailored to the likely outcomes for specific issuers.
- **Simplification**—Although we want to avoid the illusion of specificity when considering the long-term impacts of climate change, we also want 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 forecast 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 the detail-oriented, bottom-up investor.

We continue two courses of action in regards to scenario analysis:

First, we are evaluating ways in which we can use changes in established climate scenarios produced by the International Energy Agency (IEA) and Network for Greening the Financial System (NGFS) or others to inform the investment team of potential changes in key variables and tipping points .

Some of our current data providers (e.g., Bloomberg) have increased outputs in relation to issuer alignment with climate benchmarks (such as the Paris-aligned benchmark) and climate scenarios (NGFS) which we make available to our global investment team for our bottom-up research and incorporate into our sustainability portfolio reviews. These outputs typically plot an issuer's climate-related short- or medium-term targets on pathways as laid out in the high-level scenario and also assess whether an issuer is likely to align with the pathways in the future.

The second course of action on climate change we continue to undertake is to evaluate third party scenario analysis tools. If and when we believe external analysis tools aimed at portfolio analysis have progressed to the point where they offer high-quality, repeatable insights, we will integrate them 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 know the percentage of companies in their portfolio that disclose carbon emissions data and have implemented a net zero or science-based target. 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 periodic portfolio sustainability risk reviews. These reviews provide the team with an opportunity to discuss sustainability risks and opportunities based on internal research, emerging viewpoints and external events.



SOVEREIGN ANALYSIS

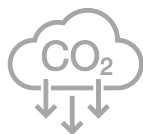
Climate change can pose material risks to sovereign debt due to its impact on national expenditures associated with disaster recovery from extreme weather events or preparedness through climate change mitigation and adaptation projects. Emerging market countries are particularly vulnerable since they 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 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.

The ASCOR (Assessing Sovereign Climate-related Opportunities and Risks) project was established in mid-2021 to create a framework and accompanying tool to provide investors and other stakeholders with a common understanding of sovereign exposure to climate risk and how sovereign issuers plan to mitigate and adapt to it. The research is being led by the Transition Pathway Initiative team at the Grantham Research Institute on Climate Change and the Environment (at the London School of Economics). We are a founding member and part of the advisory committee and continue to help shape the project and its outcomes.



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 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 issuers in our fixed income portfolios based solely on our analysis of the risk and return potential of these instruments, and we 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 an 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 will support these resolutions on behalf of our clients if we believe the requested disclosure is necessary to understand the financial materiality of the various climate risks and opportunities facing the issuer.

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, ESG integration 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 others.

MFS is an active participant in four CA100+ company engagements, and we are encouraging our portfolio companies to enhance climate disclosures to aid in our analysis and to develop and carry out a science-based emissions reduction plan to help mitigate investment risk.



Net Zero Commitment, Target and Approach

In July of 2021, MFS joined the Net Zero Asset Managers initiative (NZAM). As a signatory to NZAM, the firm is committed to supporting the goal of achieving net zero carbon emissions by 2050 or sooner.

Our approach to achieving net zero alignment is founded on 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 help them transition in line with the decarbonization efforts of the global economy in order to reduce the climate-related financial risks that can be found in 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 announced these targets in June 2022:

1. 90% of in-scope assets under management considered net zero aligned or aligning by 2030
2. 100% of in-scope assets under management considered aligned or achieving net zero by 2040
3. 100% of assets under management considered "achieving net zero" by 2050

Our in-scope assets include all listed equities and corporate credit, the value of which, at the time of committing, represented about 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 that will focus on evaluating the credibility of companies' climate transition plans and issuer-specific risks and opportunities.

Our net zero engagements are prioritized based on indicators of the materiality of the issuer to MFS' NZAM targets. These include total firm position size across asset class, latest analyst rating, proportion of ownership (in equity), sector, exposure to transition risk, emissions and current status of net zero commitments and interim targets.

We also publish an annual Net Zero Progress Report that you can read more about [here](#).

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 Green MFS,” a program aimed at reducing 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 as we renovate existing offices or build out new space. Also, over the past decade we have 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
- Used 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
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- 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, we established a global, crossfunctional Environmental Impact Working Group (currently overseen by the MFS Corporate Sustainability Committee) to improve our ability to measure and minimize our overall environmental footprint. This group engages with our employees on our corporate waste program, educational series and local resources to help employees reduce their 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 net zero carbon emissions 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

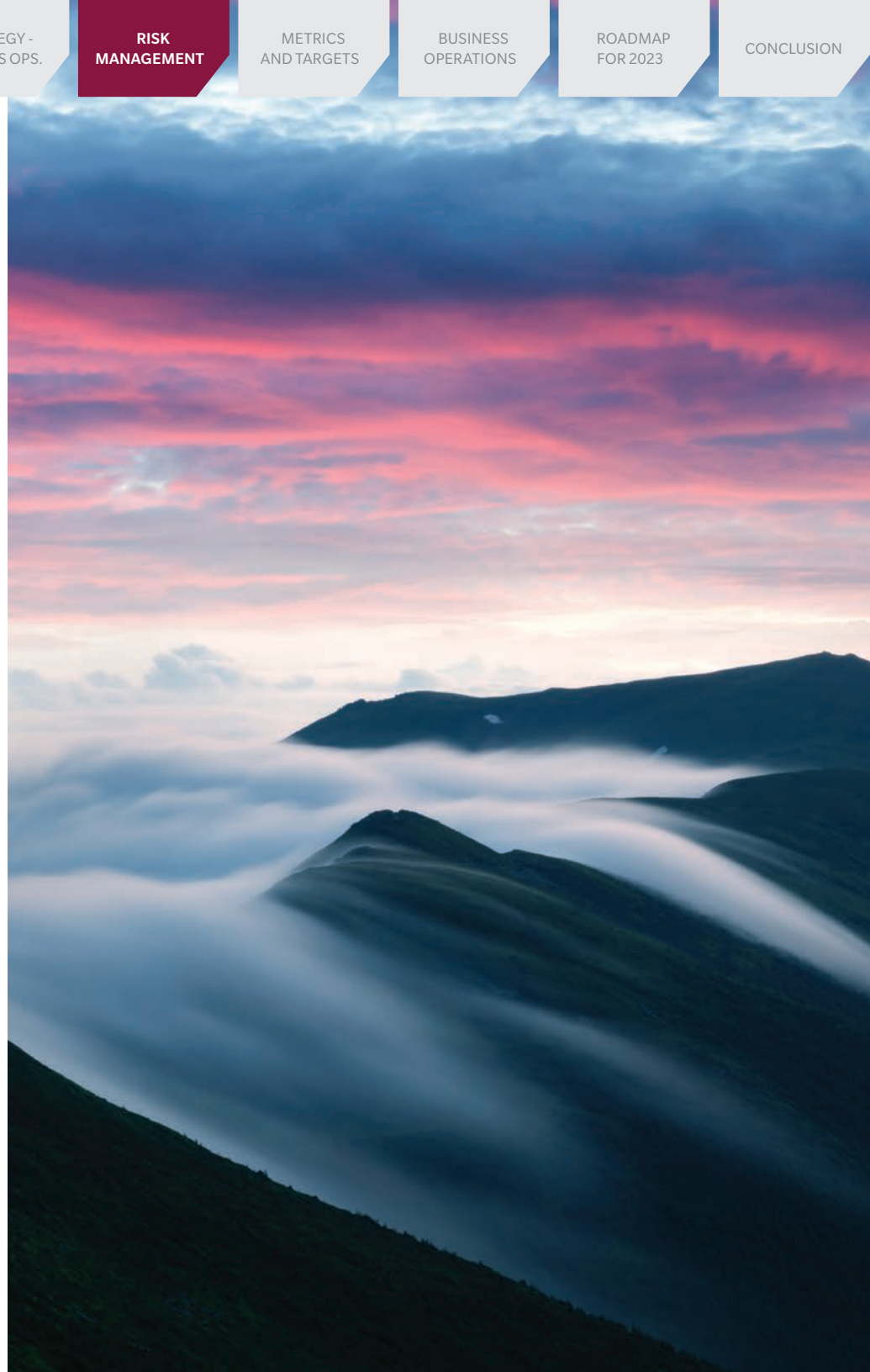
We continue to assess our operations and their impact on a changing climate in order to further our goal of creating more sustainable practices around business travel, paper and waste management in our operations while seeking to further engage with the owners or property management companies of the buildings we occupy to promote more sustainable practices and energy sources. Additionally, we perform due diligence on our materials suppliers to determine their approach to climate change.

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 ESG factors and trends, and we have implemented systematic processes to help our investment team manage ESG-related risks at the security and portfolio levels. As part of this systematic approach to ESG risk management, all MFS strategies are subject to periodic sustainability reviews focused exclusively on sustainability-related topics.

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 these:

/ SECURITY-LEVEL /

- Physical risk indicators
- Carbon intensity Scope 1, 2 and relevant Scope 3
- Absolute emission reduction and reduction trend
- Sector specific metrics (e.g., GHG intensity of barrel of oil, ton of steel/cement etc)
- 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?
- 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
- Percentage of the portfolio with science-based or net zero targets
- Periodic 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.

/ 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 an 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 impacts of climate change 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 maintain an internal portal to collect employee suggestions on how to make the firm more environmentally friendly.



Roadmap for 2024

As we look forward to the rest of 2024, we will continue to engage with our issuers, encouraging them to set net zero goals in line with the Science-Based Targets initiative (SBTi) and monitoring overall alignment with sectoral decarbonization pathways. We do not intend to use divestment or to purchase “green” companies solely for the purpose of achieving a portfolio net zero goal 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 for our portfolios governed by the Sustainable Finance Disclosure Regulation (SFDR), we need to develop a view regarding the transition plan credibility of our most impactful holdings. By *impactful* we mean the companies we consider high priority engagements. This could be due to factors such as the relative importance of the issue, company assets under management or where we hold a significant amount of outstanding shares. We are also taking into account the NZIF definition of companies facing substantial climate-related risk. In most industries, this credibility assessment will be built on an understanding of technical credibility, financial credibility, competitive credibility, management credibility and stakeholder alignment with generating value for our clients.



TCFD PILLARS	ACTIVITIES AND OBJECTIVES ACHIEVED IN 2023	ACTIVITIES AND TARGETS FOR 2024	ACTIVITIES IN 2025 AND BEYOND
Governance	<p>Enhanced climate-related voting and escalation policies, increasing clarity for issuers on proposal types we will typically support</p> <p>Onboarded and actively participated in new climate initiatives such as Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) and Asia Investor Group on Climate Change (AIGCC)</p>	<p>Continue to roll out company initiatives to reduce waste in our offices</p> <p>Continue to increase clarity for issuers on our voting activity surrounding climate risks</p>	<p>Evaluate new collaborative bodies and revise stewardship policies as necessary</p>
Strategy	<p>Rolled out portfolio-level TCFD reports for UK-managed accounts</p> <p>Developed 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>Roll out additional internal research on climate technologies and other pathway dependencies to enable investment team to monitor changing trajectories in climate-related expectations</p>	<p>Develop processes to engage with issuers in the two lowest priority tiers (our internal priority framework includes 4 tiers — one being the highest priority and 4 the lowest — under our NZAM engagement framework) to ensure broad management of climate risks across our portfolio</p> <p>Formulate vote escalation framework on climate issues</p>
Risk Management	<p>Enhanced MFS' ESG data dashboards (which includes climate and related target data) by adding more portfolio-level metrics and trend data</p> <p>Produced portfolio level analyses that includes the review of climate-related data</p> <p>Evaluated new forms of climate-related financial data (e.g., scenario data) for use in research and engagement programs</p> <p>Enhanced the integration of engagement data and NZAM outcomes in our strategy level sustainability reviews</p>	<p>Engage with most companies designated as Tier 1 or Tier 2 in our NZAM process framework</p> <p>Continue to evaluate new forms of climate-related financial data (e.g., scenario and physical risk data) for use in our research and engagement programs</p> <p>Continue to enhance the integration of growing availability of engagement and climate data and NZAM outcomes in our strategy level sustainability reviews</p>	<p>Continue to monitor the two highest priority tiers under our NZAM engagement framework</p> <p>Further integrate growing availability of climate and engagement data and NZAM outcomes in our sustainability reviews and MFS' broader 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>Developed a front end tool 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>Launched a net zero progress report, showing examples and developments on sectoral thinking, engagement successes and hurdles and provide quantitative data on milestones reached. Expanded MFS' climate data to cover our sovereign entities</p>	<p>Continue to enhance our 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>Create ongoing measurement for our corporate emissions.</p>	<p>Develop process to monitor progress against net zero commitments and the alignment of portfolios</p>



Conclusion

MFS supports the Paris Agreement and the goal of achieving net zero by 2050. We are focused on improving our understanding of climate risks and opportunities 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 plans, and we will continue to encourage practices that facilitate an effective transition to a low-carbon economy.

/ REPRESENTATIVE STRATEGIES CARBON INTENSITY¹ /

	2022		2023	
	WACI	Coverage (%)	WACI	Coverage (%)
Equity - Global				
MFS Global Equity	100	100	100	99
MFS Global Value Equity	78	95	71	98
MFS Global Growth Equity	65	98	71	98
MFS Low Volatility Global Equity	262	100	171	99
Equity - Global ex-US				
MFS International Equity	127	100	132	99
MFS International Intrinsic Value Equity	42	100	73	96
MFS International Growth Equity	134	99	103	97
Equity - US				
MFS Large Cap Value Equity	274	100	220	98
MFS Large Cap Growth Equity	54	100	63	98
MFS Mid Cap Value Equity	247	100	178	97
MFS Mid Cap Growth Equity	46	96	55	97
MFS Low Volatility US Equity	240	100	178	99
Equity - Regional				
MFS European Research	102	98	99	100
MFS Japan Equity	43	100	50	99
MFS U.K. Equity	70	98	69	97
MFS Canadian Research Equity	348	97	218	99
MFS Asia Pacific ex-Japan	170	96	217	97
Equity - Emerging Markets				
MFS Emerging Markets Equity	88	98	146	97
MFS Latin American Equity	250	96	206	92
Equity - Sector				
MFS Utilities Equity	1620	98	1416	99
MFS Global Real Estate Equity	56	98	77	99
Fixed Income				
MFS Global Credit	249	80	190	79
MFS US Credit	377	83	281	83
MFS Euro Credit	308	79	195	82

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. 2022 fixed income strategies WACI have been recalculated using S&P/Trucost.

/ 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	8,304 / 10,648	86%	140.03
Portfolio Financed Emissions tons CO ₂ e	8,273 / 10,648	85%	22.03 M
Portfolio Financed Emissions / USD M Invested tons CO ₂ e / USD M invested	8,273 / 10,648	85%	43.87
Portfolio Carbon Intensity tons CO ₂ e / USD M revenue	8,283 / 10,648	85%	123.27

GHG EMISSIONS

	Total	Data coverage
Total GHG emissions (companies only) tons CO ₂ e	201,700,480	96%
Scope 1 GHG emissions tons CO ₂ e	18,654,890	97%
Scope 2 GHG emissions tons CO ₂ e	3,908,472	97%
Scope 3 GHG emissions tons CO ₂ e	172,123,420	96%

Weighted Average Carbon Intensity (Scope 1+2) (tonnes CO₂e/\$revenues).

Source: S&P/Trucost for representative accounts and Clarity AI for in-scope entity level figures, 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.

Please note that different sources may have been used in previous years and therefore could affect the change in figures over time.

Lower portfolio data coverage will yield less reliable carbon intensity metrics.





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