

FairPensions' Climate Change Questionnaire 2009

Name of Firm: **MFS International (UK) Ltd.**
 Assets Under Management: USD \$118bn

Section A: Assessment of climate change as an investment issue

1. In your business, how important is climate change as a factor in investment research, decision making and engagement activities with companies?

- a) Very unimportant
- b) Unimportant
- c) Important
- d) Very important

2. With regard to question 1, and compared to 2007, has climate change become:

- a) Less important
- b) Unchanged from 2007
- c) More important

3. As a fund manager, which of these factors do you see as a barrier to incorporation of climate change risks/opportunities into investment analysis and decision making?
 (please mark any that apply in priority order with 1 as the most significant barrier)

a) lack of demand from clients	
b) low current carbon price / difficulties in determining material financial impact	1
c) lack of regulatory requirements for investee companies	
d) poor quality data on GHG emissions disclosed by firms	
e) lack of regulatory requirements for investors	
f) other - please specify	

Please comment on barriers to integrating climate change into investment analysis and decision making:

MFS integrates ESG considerations into the investment process to the extent the issue may have a material effect (ie likely to have a significant impact on returns, cost of capital, valuation etc.). If carbon prices were high enough to be a material effect on returns, our investment process would integrate that effect.

MFS would generally favour transparent and consistent reporting standards if they are applied appropriately for a company's business and not cost prohibitive.

4. As a business, would you welcome regulatory requirements on investee companies to report GHG emissions?

- a) Yes
- b) No

MFS believes there is no definitive answer to these questions. MFS advocates disclosure of useful and relevant information, and recognises the need to reduce GHG emissions. However, costs and relevance would need to be considered for all companies impacted by any regulatory change

5. As a business, would you welcome regulatory requirements on investee companies to reduce GHG emissions?

- a) Yes
b) No

MFS believes there is no definitive answer to these questions. MFS advocates disclosure of useful and relevant information, and recognises the need to reduce GHG emissions. However, costs and relevance would need to be considered for all companies impacted by any regulatory change

6. Do you (directly or through any collaborative initiatives) engage with government regarding regulation for companies and investors concerning GHG emission measurement, reporting and reduction responsibilities?

- a) Yes

Please specify if via membership of any collaborative initiatives:

- b) No

Please comment on your firm's stance on the regulatory framework for companies:

MFS analysts favour transparency and consistent disclosure of financial and non-financial issues.

7. As a business, would you welcome stock exchange listing rules which require companies to disclose on a comparable basis climate change related risks?

- a) Yes
b) No

Please comment on the relevance of listing requirements to achieving useful disclosure?

MFS advocates disclosure of useful and relevant information. However, costs and relevance would need to be considered for all companies impacted by listing rules.

Section B: Use of climate change data

1. Does your firm request climate change related information (including data on emissions) from investee companies?

- a) In no sectors
b) In a minority of sectors you invest in
c) In a majority of sectors you invest in
d) In all sectors

Please comment on which sectors and why:

As long-term investors we are aware that climate-related issues can impact businesses' sustainable returns, their cost of capital and the valuation of their shares. We have long recognised the impact of carbon credits on the utilities sector and the premium valuations commanded by electricity companies with a low emission generation mix, or that have invested in clean-up technology. We may also request emissions data from basic materials and industrial companies.

2. As a business, do you factor climate change related risks and opportunities into analysis and investment decisions?

- a) In no sectors
- b) In a minority of sectors you invest in
- c) In a majority of sectors you invest in
- d) In all sectors

Please comment on which sectors and why:

As part of a rigorous bottom up research process, our analysts and portfolio managers seek to understand all the factors, financial and non-financial, that determine if a business can achieve above average growth and returns on a sustainable basis and the appropriate valuation for it. We assess which ESG factors (including climate change) are material (are likely to have a significant impact on returns, cost of capital, valuation etc.) and the likely range of outcomes for them. As with financial metrics, we tend to place greater emphasis on historical data rather than forecasts or relying on management projections. In particular, we consider the potential impact of negative risks on a business and its valuation. If we feel that climate-related issues have a material adverse impact on a company's valuation, we generally will not hold that security.

3. Are you currently making use of climate change related data provided by companies (including data on emissions) in investment decision making?

- a) In no companies
- b) In a minority of companies where data is available
- c) In a majority of companies where data is available
- d) In all companies where data is available

Please comment on your use of climate change information from investee companies:

Climate-related issues may be considered under specific circumstances and on a company by company basis. We seek to assess all facets of a company that could impact its investment performance, including financial and non-financial considerations. Therefore, climate-related issues are uncovered and evaluated through our research process, and factored into investment decisions. They will be weighted by the potential impact on a stock's intrinsic value.

4. In the last 2 years, have climate change related factors affected investment allocations at your firm (n.b. excluding specialist SRI / Environmentally focused funds)?

- a) In no sectors
- b) In a minority of sectors you invest in
- c) In a majority of sectors you invest in
- d) In all sectors

Please comment on why climate change does or does not affect investment allocations:

As noted above, climate-related factors have most impacted decisions in the utilities sector.

Section C: Engagement on climate change issues

1. As a business, do you engage (via written or face-to-face communication) with investee companies to ensure that they address climate change related risks and opportunities effectively?

- a) with no companies
- b) with a minority of companies you invest in
- c) with a majority of companies you invest in
- d) with all companies you invest in

Please comment on why you engage or do not engage with companies to address climate change related risks/opportunities, and if relevant how you undertake engagement:

We do not actively engage or set out to influence corporate decisions. As part of the rigorous bottom up research process, our analysts and fund managers seek out the best stocks possible for inclusion in portfolios. As part of this process, we proactively assess the business risks that climate-related issues can have on company valuations.

Through various communications with our researched companies, we may offer opinions on capital deployment, etc., but it would be a rare instance in which we would be considered an "activist" shareholder.

MFS' policy is that all proxy voting decisions are made in what MFS believes to be the best long-term economic interests of our clients. In that regard, MFS generally supports ESG proposals that it believes are in the best long-term economic interest of our clients, including, but not limited to, (1) the de-classification of the board of directors, (2) the elimination of supermajority vote requirements wherever possible, (3) the implementation of a majority voting system in director elections, (4) the submission of poison pills to a shareholder vote, (5) the ability of shareholders to act by written consent, (6) the ability of shareholders to call a special meeting, and (7) the implementation of confidential voting. MFS votes with management on most other ESG proposals unless MFS can clearly determine that the benefit to shareholders will outweigh any costs or disruptions to the business if the proposal were adopted. For more information, please visit the proxy voting section of our website at www.mfs.com.

2. Where engagement occurs, which of the following do you seek to have in place at investee companies?

i) Named board member / senior executive responsible for addressing climate change risks/opportunities

- a) Yes
- b) No

ii) Company measures its GHG emissions and discloses to shareholders

- a) Yes
- b) No

iii) Company has an action plan with targets to reduce GHG emissions over a specified timetable

- a) Yes
- b) No

iv) Other - Please specify

Please comment on the purpose of climate change related engagement with companies:

Section D: Reporting

1. As a business, do you report on action taken (including engagement with companies) to reduce portfolio risks and enhance opportunities arising from climate change?

- a) no reporting
- b) to clients who request it
- c) to all clients
- d) publicly on a website

Please comment on your policy for reporting action to reduce climate change risk and enhance opportunity:

MFS can customise reporting based on client needs.

MFS International (UK) Limited ("MIL UK"), a private limited company registered in England and Wales with the company number 03062718, and authorised and regulated in conduct of investment business by the UK Financial Services Authority. MIL UK has their registered office at Paternoster House, 65 St. Paul's Churchyard, London, EC4M 8AB. MIL UK is an indirect subsidiary of Massachusetts Financial Services Company ("MFS"), a registered investment adviser and funds sponsor headquartered in Boston, Massachusetts, USA

The views expressed in this questionnaire are those of the MFS, and are subject to change at any time.

Please return the completed questionnaire by Friday 12th June 2009 to:

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