

2014 GLOBAL PROXY VOTING & ENGAGEMENT REPORT





GLOBAL PROXY VOTING & ENGAGEMENT - 2014 ANNUAL REPORT

OVERVIEW

MFS believes that robust ownership practices can help protect and enhance long-term shareholder value. Such ownership practices include the thoughtful and diligent exercise of our voting rights as well as engaging with our portfolio companies on a variety of proxy voting issues. MFS also recognizes that environmental, social and governance ("ESG") issues may impact the value of an investment and therefore ESG factors should inform our proxy voting practices.

This Global Proxy Voting & Engagement Annual Report provides a summary of our proxy voting and engagement activities with portfolio companies that encompasses the 12-month period ending June 30, 2014 (the "2014 Proxy Period").

GLOBAL VOTING SCORECARD

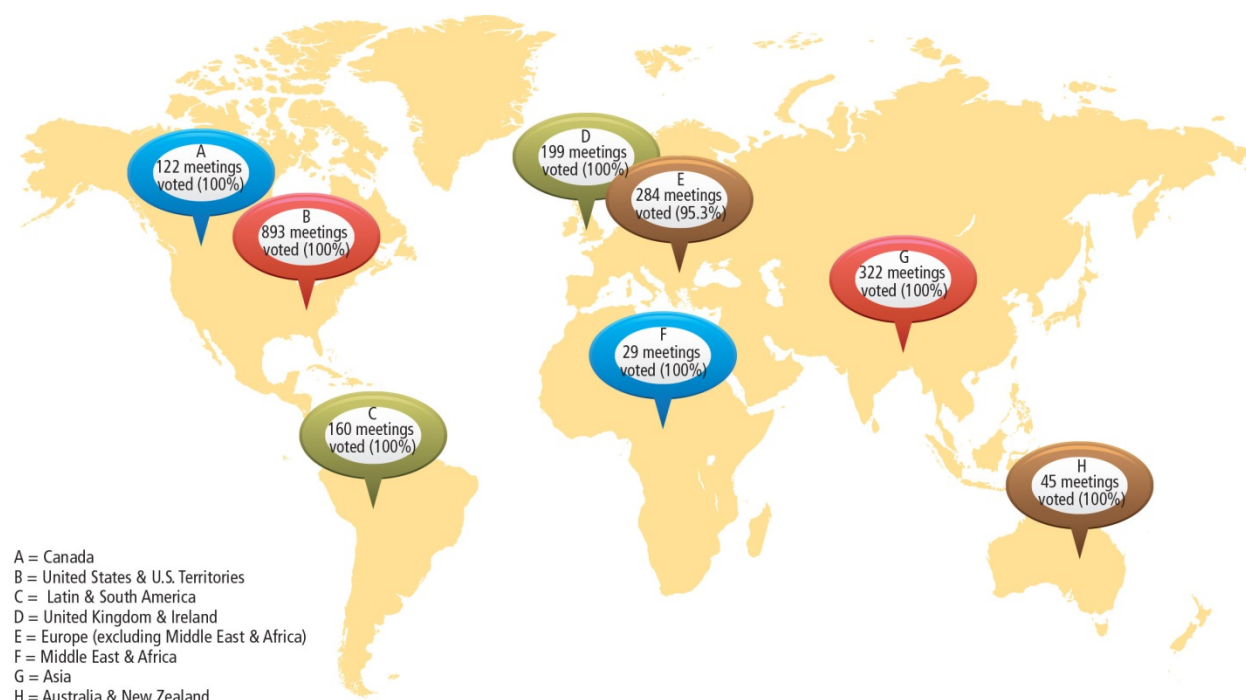
Each year, MFS is eligible to vote at a large number of shareholder meetings that include a wide variety of ballot items. We typically exercise all of our voting rights that we are eligible to vote. However, there may be limited situations where we do not exercise our voting rights. These situations may be the result of restrictions on trading of voted securities ("share-blocking"), operational constraints (e.g., the late delivery of proxy materials) and voting impediments (e.g., power of attorney requirements). During the 2014 Proxy Period, MFS was eligible to vote on over 22,000 ballot items at approximately 2,100 shareholder meetings across 52 markets globally. MFS voted shares at over 99% of these meetings, with the

The MFS Proxy Voting Committee

All proxy voting activities are overseen by the MFS Proxy Voting Committee, chaired by our General Counsel Mark Polebaum. Mark is an Executive Vice President of MFS and serves on our Management Committee. The Proxy Committee also consists of senior members of our Global Investment & Client Support and Legal Departments.

The day-to-day management of our proxy voting activities is performed by Matt Filosa, MFS' Corporate Governance and Proxy Voting Officer. Matt has been with MFS since 2005 and is a regular contributor at industry forums on corporate governance and proxy voting. He is a member of the Harvard Law School Program for Institutional Investors Advisory Board and the Institutional Shareholder Services Governance Exchange Advisory Council. Matt received his B.A. from Tufts University and his Masters in Business Administration from Boston University.

remaining meetings not voted due to share-blocking issues (mainly in Europe). The following map illustrates the number of meetings we voted throughout the world during the 2014 Proxy Period, along with the overall percentage of meetings we voted in each region.



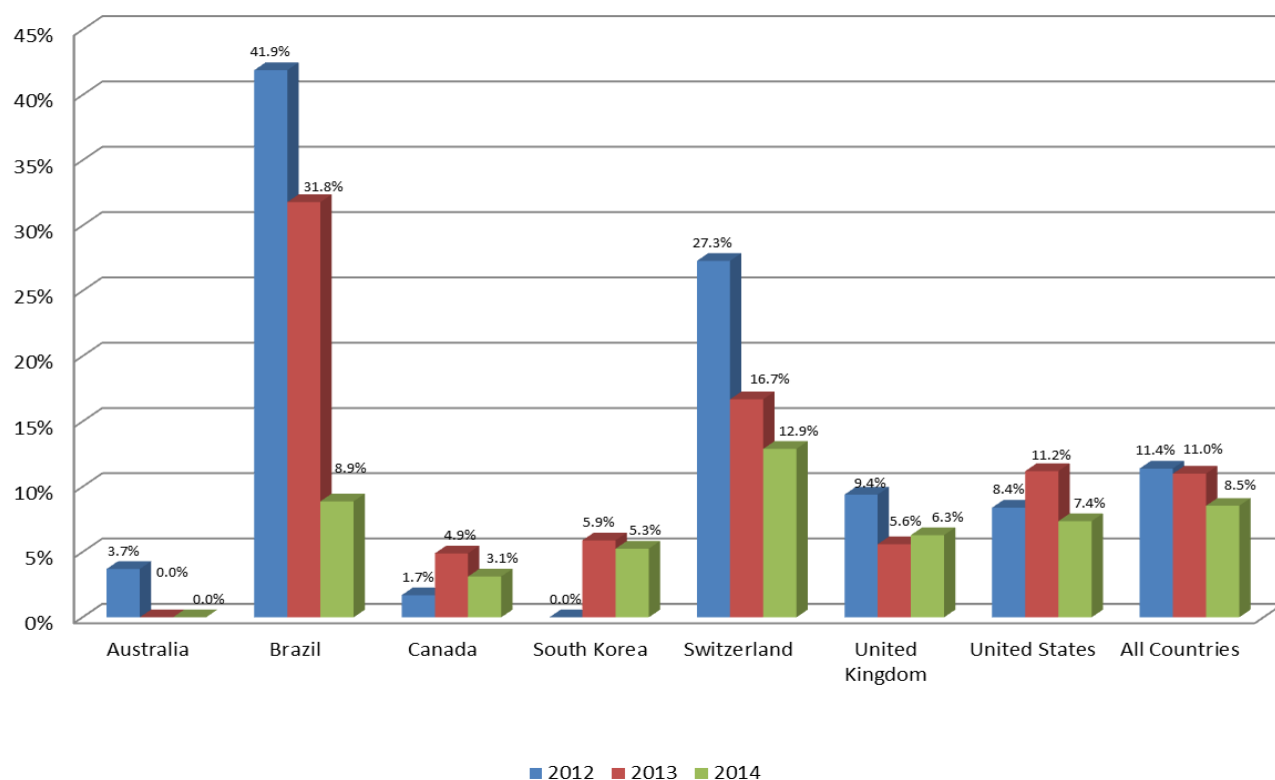
Although we vote with management's recommendation on a large majority of proxy items due to our confidence in the management teams of the portfolio companies in which we invest, there are instances where we may disagree with management's view on a particular ballot item and vote against their recommendation. In the 2014 Proxy Period, MFS voted against management's recommendation on approximately 6.5% of all ballot items globally, and cast a vote against management's recommendation on at least one ballot item at 35% of all shareholder meetings. These numbers are very similar to those in the 2013 Proxy Period (July 1, 2012 – June 30, 2013), where MFS voted against management's recommendation on approximately 7% of all ballot items, and cast a vote against management's recommendation on at least one ballot item at 34% of all shareholder meetings.

"Say on Pay" Around the World

MFS believes that competitive compensation packages are necessary to attract, motivate and retain executives. However, MFS also recognizes that certain executive compensation practices may be "excessive" and not in the best, long-term economic interest of shareholders. Many markets in which MFS invests (including those markets identified in the table below with a significant number of votes) may require or recommend a vote on the company's executive compensation program ("Say on Pay"). A growing number of markets are also contemplating requiring or recommending Say on Pay votes at all companies, and some

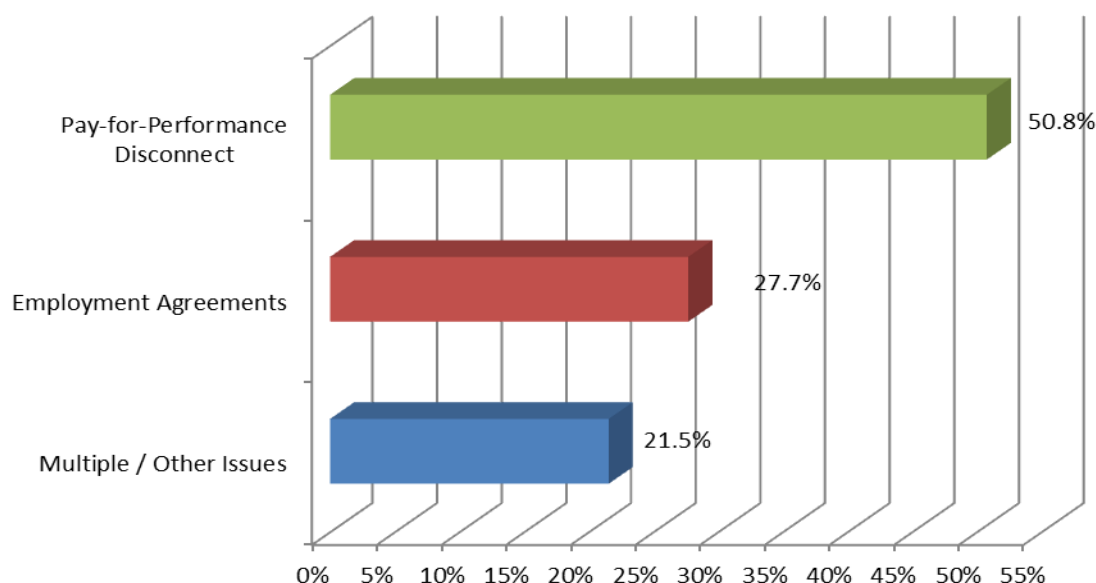
markets have recently adopted binding pay votes (e.g.; the United Kingdom and Switzerland). MFS believes that Say on Pay votes are one of the more effective mechanisms to express our view on a company's compensation practices and can help ensure that executive pay practices are aligned with shareholder interests.

**Global Compensation Scorecard: How Often MFS Voted Against Executive Say On Pay:
Three Year Trend**



During the 2014 Proxy Period, MFS voted on the approval of executive compensation at 1,451 companies around the world, voting against or abstaining on such proposals approximately 8.5% of the time overall. This compares to the 2013 Proxy Period where MFS voted against or abstained on such proposals globally 11% of the time. The reason for not supporting the executive compensation practices at these companies was typically an overall disconnect between the company's performance and its executive compensation practices, and/or multiple issues (including poor compensation disclosure). While we do see general improvement of global executive compensation practices, we continue to monitor our portfolio companies to ensure that executive compensation is properly aligned with shareholder interests and general market practices.

Major Reasons for Deeming Compensation Excessive Globally



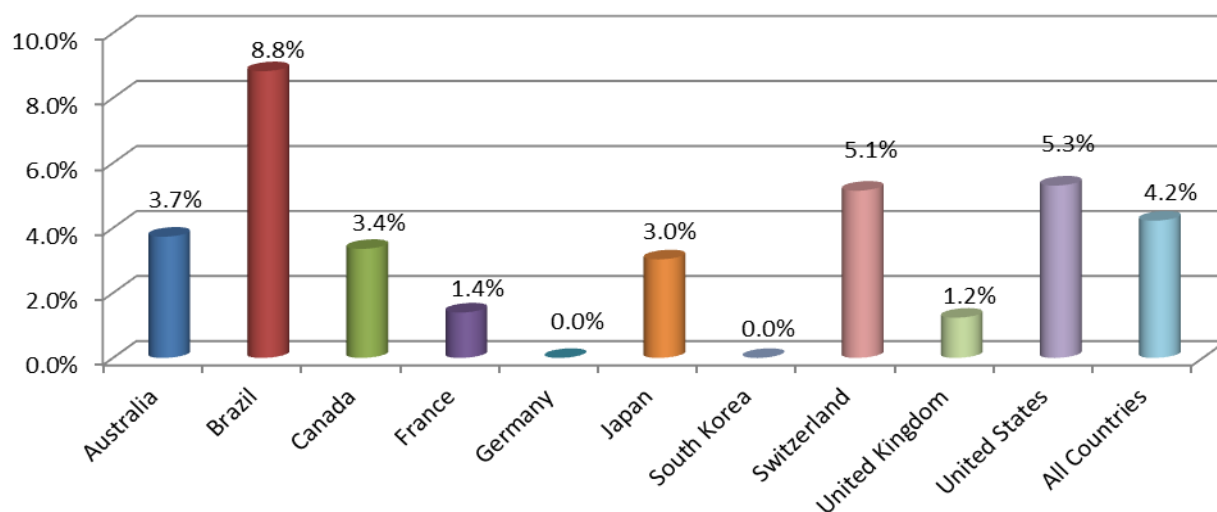
2014 was the fourth year that Say on Pay votes were required at the annual shareholder meetings in the U.S. Overall, shareholders expressed general satisfaction with the executive pay practices at these companies. According to Institutional Shareholder Services' *2014 U.S. Proxy Season Review*, average shareholder support for these votes hovered around 92% (about the same as 2013) and 56 companies received less than majority support from January 1 - June 30, 2014 (compared to 52 during the same period in 2013). Of the 50 or so companies that failed to receive majority support for their Say on Pay vote in 2013, only a handful of them received less than majority support for their 2014 Say on Pay vote due to positive changes made to their compensation programs. MFS voted on approximately 787 U.S. Say on Pay votes during the 2014 Proxy Period. MFS voted against approximately 7.4% of U.S. Say on Pay proposals for reasons ranging from new employment agreements with problematic provisions, inappropriate perquisites, and an overall disconnect between the company's performance and its executive pay practices. This compares to about 11% for the 2013 Proxy Period. MFS may also vote against certain or all board nominees if we determine that a particularly egregious excessive executive compensation practice has occurred (although this typically only applies to U.S. companies). Of the 7.4% of companies that we deemed compensation excessive, we also voted against at least one director approximately 21% of the time (16 instances) for approving particularly egregious excessive executive compensation. Some U.S. companies also asked shareholders at their 2014 shareholder meetings to vote on the preferred frequency of advisory votes on executive compensation (every 1, 2 or 3 years). Because we believe having the ability to vote on executive compensation every year is the most effective way to spur

engagement with our portfolio companies and curb future excessive executive compensation practices, we voted for annual Say on Pay votes at all of the U.S. meetings that we were eligible to vote.

GLOBAL DIRECTOR ELECTIONS

Overall, MFS did not support director nominees approximately 4.3% of the time across all markets (compared to 5.1% of the time in the 2013 Proxy Period). MFS believes that boards of directors should be accountable to shareholders on a variety of issues. Reasons for voting against board nominees include independence, attendance or disclosure concerns. In addition, MFS may also vote against board nominees if the board has not taken responsive action on an issue of concern to shareholders. For example, if a shareholder proposal to de-classify the board received majority approval at a prior shareholder meeting and the board is not de-classified, then MFS will typically vote against the entire board's re-election at future annual shareholder meetings. Similarly, if a significant number of shareholders have expressed dissatisfaction with the company's executive compensation program and the company has not made significant changes to its compensation program, then MFS will vote against the compensation committee and/or full board. In the 2014 Proxy Period, MFS voted against board members at approximately 8 companies for failing to adequately respond to shareholder concerns (compared to 15 such companies in the 2013 Proxy Period). Finally, MFS also maintains a list of directors that we believe do not warrant support at any company based on their prior service at other companies with substantial governance failures.

Global Director Scorecard: How Often MFS Voted Against Directors



MFS & ESG SHAREHOLDER PROPOSALS

We recognize that ESG issues may impact the value of an investment and should inform our proxy voting practices. The Proxy Voting Committee analyzes and votes all proposals relating to ESG issues in what we believe to be in the best, long-term economic interest of shareholders.

Shareholder proposals relating to environmental issues were a focus in the 2014 Proxy Period, including topics relating to climate change – a topic that gained in prominence in terms of U.S. shareholder proposals during the 2014 Proxy Period. A majority of the proposals requested that companies either adopt specific GHG emissions goals or disclose the financial and operational risks of climate change. MFS generally supports proposals that request more disclosure on the impact of environmental issues on the company's operations unless it is unduly restrictive or the company already provides sufficient publicly-available information. We typically do not support proposals to adopt specific GHG emissions goals as we deem that to be unduly restrictive on our portfolio companies. In total, MFS voted on 57 environmental-related shareholder proposals during the 2014 Proxy Period, supporting approximately 44% of such proposals (compared to 25% in the 2013 Proxy Period).

With respect to social issues, MFS voted on 119 social-related shareholder proposals during the 2014 Proxy Period, supporting approximately 62% of such proposals (compared to 48% in the 2013 Proxy Period).

Shareholder requests for increased disclosure on a company's political contributions were at center stage again in the 2014 Proxy Period. Proposals typically focused on increased disclosure of the procedures in place to oversee corporate political spending. MFS generally supports such shareholder proposals unless the company already provides publicly-available information that is sufficient to enable shareholders to evaluate the potential risks that political contributions may pose to the company. In the 2014 Proxy Period, MFS supported 73% of shareholder proposals seeking more disclosure from companies on their political spending and lobbying policies (compared to 67% in the 2013 Proxy Period).

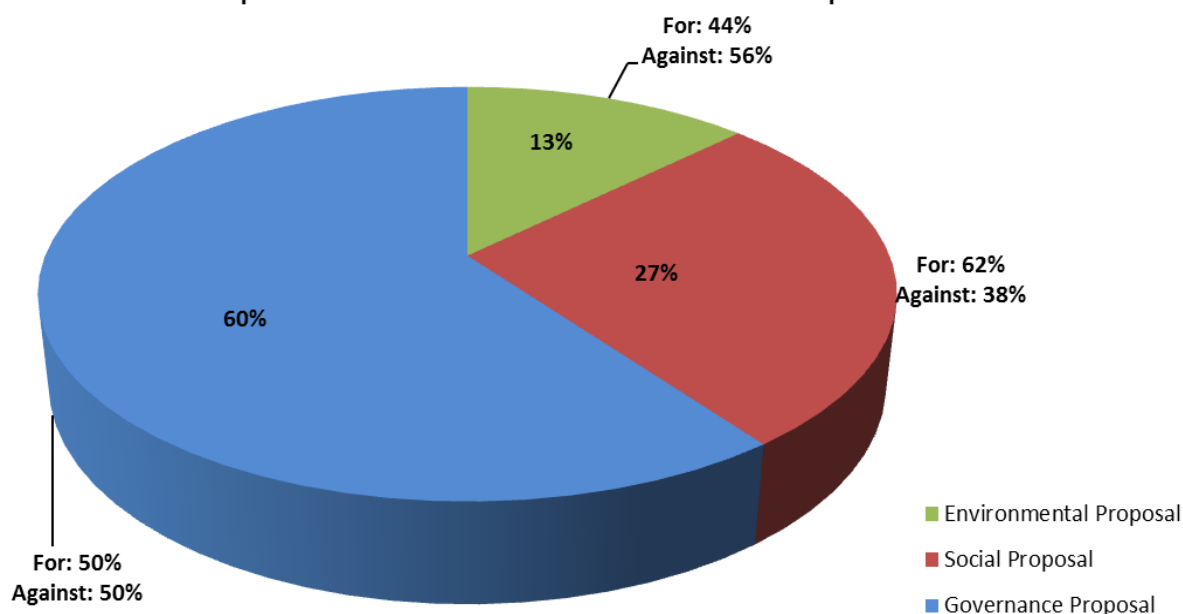
MFS SUPPORTS SHAREHOLDER RIGHTS

During the 2014 Proxy Period, MFS voted in favor of:

- *100% of proposals to de-classify the board*
- *100% of proposals seeking majority voting in director elections*
- *100% of proposals to act by written consent*
- *100% of proposals to call special meetings*
- *100% of proposals to eliminate supermajority voting rights*
- *100% of proposals to provide certain shareholders (at least 3% for 3 years) the ability to nominate their own Board nominees (also known as "Proxy Access")*

Corporate governance has historically been a popular subject of shareholder proposals, and 2014 was no different. The most abundant corporate governance shareholder proposals were calls for the separation of the Chairman and CEO positions and majority voting in director elections. Overall, MFS voted on 266 governance-related shareholder proposals around the globe during the 2014 Proxy Period, supporting 50% of such proposals (compared to 43% in the 2013 Proxy Period).

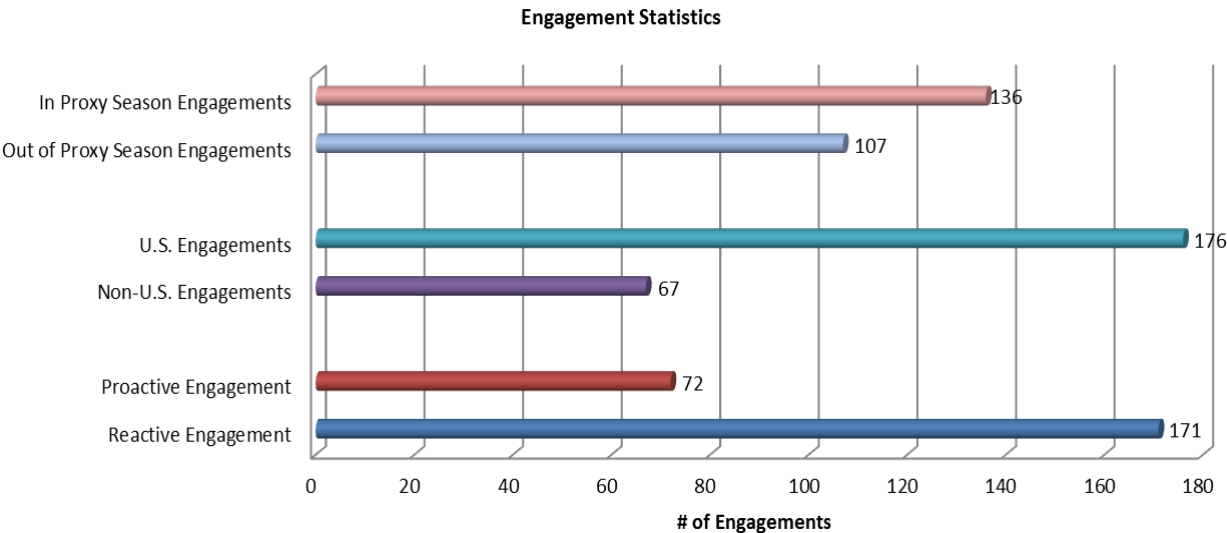
Global Shareholder Proposal Scorecard: How MFS Votes On Shareholder Proposals



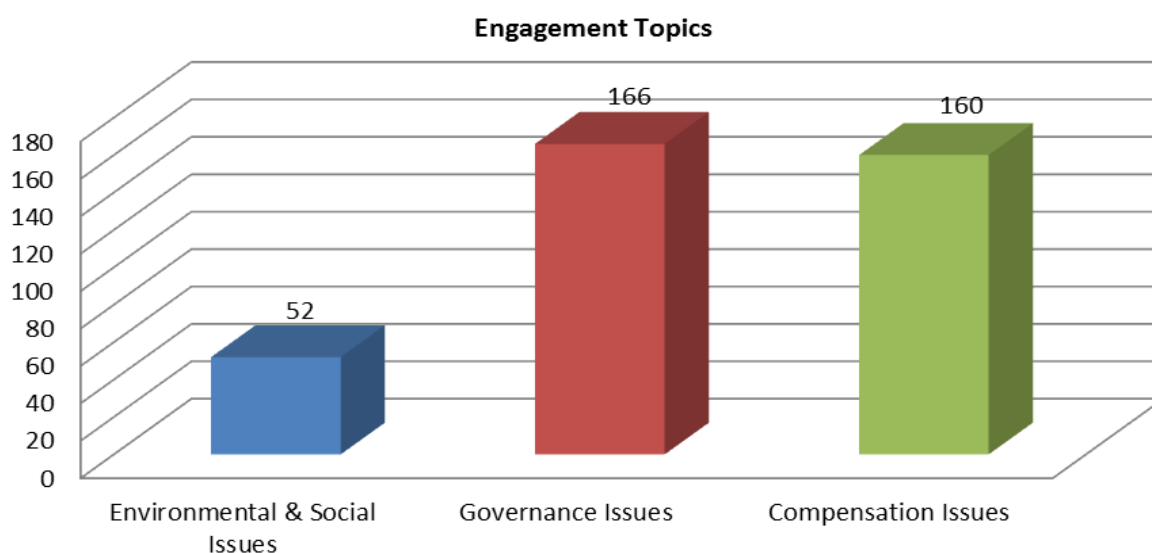
GLOBAL ENGAGEMENT PROGRAM

We believe open communication with our portfolio companies on proxy voting issues is an important aspect of our ownership responsibilities. Our goal when engaging with our portfolio companies is to exchange views on topics ranging from executive compensation to environmental issues, and to potentially effect positive change with respect to such issues. As such, members of the MFS Proxy Voting Committee engaged with senior representatives from 163 distinct portfolio companies (243 engagements total) in 16 different markets during the 2014 Proxy Period, representing approximately 8% of issuers that we voted on in the 2014 Proxy Period (please see [Appendix A](#) for a list of such companies). This compares to 191 engagements with distinct portfolio companies (243 overall) during the 2013 Proxy Period. During the 2014 Proxy Period, engagements were prompted by MFS 30% of the time ("proactive engagement") and our portfolio companies 70% of the time ("reactive engagement"). While each engagement may cover multiple topics, executive compensation and other corporate governance issues accounted for a majority of our engagement activity. Moreover, a significant number of engagements related to environmental and social issues (52). U.S. companies represented 72% of our engagements, while non-U.S. companies represented 28%. For all companies that we engaged with prior to the annual meeting, we provided the basis for our final voting decision in our effort to continue vote transparency with our portfolio companies. We also attempt to engage with most U.S.

companies that are being evaluated for potentially excessive executive compensation in order for our voting decision to be adequately informed. We also do the same at many other companies around the world when evaluating compensation issues.



Last year, the MFS Proxy Committee began a letter-writing initiative that focuses on certain, important governance issues at 25 of our portfolio companies. This year, we sent letters to the board of directors of about 44 portfolio companies that (i) had at least one director receive less than majority support from shareholders; (ii) received significant dissent on its executive compensation practices; and/or (iii) had at least one shareholder proposal receive majority support from shareholders. These letters encourage the boards of our portfolio companies to respond to these vote results in a meaningful way. For example, if 30% or more of shareholders expressed concern over executive pay at the 2014 annual shareholder meeting, then we expect the board to make adjustments to the pay plan prior to the 2015 annual shareholder meeting. We also expect any shareholder proposal that receives majority support to be implemented prior to or at the next shareholder meeting. We believe that these letters will help the boards at our portfolio companies focus on issues where shareholders have given a clear indication of concern. These letters also establish vote transparency with boards and indicate our willingness to engage on these important issues moving forward.



Accurately measuring the impact of our engagement activity continues to be a focus of the MFS Proxy Voting Committee. From a broad perspective, we have observed many positive trends at U.S. companies on a variety of proxy voting issues. Majority voting structures for director elections are now present at over 82% of the constituent companies listed in the Standard & Poor's 500 Index despite being virtually non-existent just a short time ago. The gradual decrease in classified boards (less than 30% of companies in the S&P 500 have classified boards) and the elimination of problematic pay practices such as tax gross-up payments are also positive trends that we have observed. These trends serve as evidence that voting combined with engagement can have a positive impact on governance issues on a broad scale.

Measuring the more direct impact of our engagement activities can be a challenge due to the wide variety of responses from corporations over the long-term, and will require future monitoring in order to gauge our impact on a company-by-company basis. However, some of our engagement efforts have resulted in quick, direct and measurable impact. For example, we engaged with several companies that had adopted bylaw amendments that prohibited payments to board members by any other party other than the company, both prior to and during board service. In our view, these bylaw provisions should have been submitted to shareholders for approval prior to being adopted. As a result of our and other shareholder concerns, most companies repealed this bylaw provision relatively quickly.

In addition to engaging with our portfolio companies, MFS also believes that engaging with sponsors of shareholder initiatives can help inform our views on important proxy voting issues. During the 2014 Proxy Period, members of the MFS Proxy Voting Committee engaged with sponsors of shareholder initiatives at approximately 5 companies, including those at Coca Cola Company and Oracle Corp.

Finally, MFS may send letters to various regulatory agencies to encourage corporate governance reform when we feel it is warranted. During the 2014 Proxy Period, we sent letters to both the New York Stock Exchange and the NASDAQ encouraging them to implement a majority voting standard in uncontested director elections for publicly-traded operating companies.

CONCLUSION

MFS continued its global efforts on proxy voting activities during the 2014 Proxy Period. While executive compensation issues continue to dominate the proxy voting landscape, other ESG issues as described above remain in sharp focus as well. Our engagement activities continue to be a critical component of our proxy voting activities. We look forward to providing an update to our proxy voting policies as well as a preview of the 2015 proxy season in our next report.

Additional Resources

- For more information about our proxy voting activities, including a complete copy of the MFS Proxy Voting Policies and Procedures, Frequently Asked Questions, and previous Proxy Voting and Engagement Reports, please visit the proxy voting section of www.mfs.com.
- For information on how certain MFS-sponsored pooled vehicles voted their shares at shareholder meetings, please visit www.mfs.com.

Contact Information

We would be happy to receive feedback from our clients on this report.

Matthew R. Filosa

Assistant Vice President

Corporate Governance & Proxy Voting Officer

mfilosa@mfs.com

- or contact your client service representative.

PROXY ENGAGEMENT LOG

Members of the MFS Proxy Voting Committee had individual meetings relating to proxy voting matters with senior representatives from the following 163 distinct portfolio companies during the 2014 Proxy Period:

Abbott Laboratories	Duke Energy Corporation
Aberdeen Asset Management plc	Edison International
Accenture plc	EMC Corporation
Accuride Corporation	Eni S.p.A.
Ace Limited	EOG Resources, Inc.
Adecco SA	EQT Corp.
AGL Resources, Inc.	Everest RE Group, Ltd.
Air Products & Chemicals, Inc.	Exa Corporation
Airgas, Inc.	Expeditors International of Washington, Inc.
Alexandria Real Estate Equities, Inc.	Exxon Mobil Corporation
Allergan, Inc.	Fidessa Group plc
Anadarko Petroleum Corporation	First Republic Bank
Apache Corporation	Fleetcor Technologies, Inc.
Apple Inc.	GDF Suez
AT&T Inc.	General Mills, Inc.
Atlas Air Worldwide Holdings, Inc.	General Motors Corporation
Autodesk, Inc.	Givaudan SA
Barclays plc	GlaxoSmithKline plc
Bayer AG	Goldman Sachs Group, Inc.
Beazley plc	Harley-Davidson, Inc.
Bed Bath & Beyond Inc.	Hasbro, Inc.
Blackrock, Inc.	Hatteras Financial Corp.
British Sky Broadcasting Group plc	Healthcare Services Group, Inc.
Burberry Group plc	Heineken N.V.
Canadian Natural Resources Limited	Hewlett-Packard Company
Catlin Group plc	Hiscox Ltd
CenturyLink, Inc.	Home Properties, Inc.
CF Industries Holdings, Inc.	Honda Motor Co Ltd
Chevron Corporation	Honeywell International Inc.
Citrix Systems, Inc.	Hoya Corp.
CMS Energy Corporation	Huntington Bancshares Incorporated
Cobham plc	IG Group Holdings, Inc.
Compagnie Financiere Richemont SA	ING Groep NV
Consol Energy, Inc.	Intel Corporation
COSTCO Wholesale Corporation	International Business Machines Corporation
Covidien plc	Intertek Group plc
Crown Holdings, Inc.	Jardine Lloyd Thompson Group plc
CVS Caremark Corporation (now CVS Health Corp)	Johnson & Johnson Company
Danone	JP Morgan Chase & Co
Delta Lloyd NV	Julius Baer AG
Dentsply International, Inc.	Kellogg Company
Deutsche Wohnen AG	Kohl's Corporation
Dominion Resources, Inc.	L'Air Liquide
Dr Pepper Snapple Group, Inc.	Lamprell plc

Legrand
Lockheed Martin Corporation
Marathon Petroleum Corporation
McDonald's Corporation
McGraw Financial, Inc.
Medtronic, Inc.
Mellanox Technologies, Ltd.
Merck KGaA
MITIE Group plc
Mitsubishi Estate Co Ltd
Mondelez International, Inc.
Monsanto Company
Morgan Stanley
MSC Industrial Direct Co., Inc.
Mylan Inc.
NextEra Energy, Inc.
Nokia Corp.
Northeast Utilities
Northrop Grumman Corporation
Norwegian Cruise Line Holdings Ltd.
Novartis AG
NRG Energy, Inc.
Occidental Petroleum Corporation
Oracle Corporation
Peabody Energy Corporation
Pearson plc
Pentair Ltd.
PerkinElmer, Inc.
Pernod Ricard
Pfizer Inc.
Polypore International, Inc.
PPG Industries, Inc.
Praxair, Inc.
Prudential Financial Inc.
PT XL Axiata Tbk
Public Service Enterprise Group Incorporated
Publicis Groupe SA
Quest Diagnostics Incorporated
Reckitt Benckiser Group plc
Rockwell Automation, Inc.
Rockwood Holdings, Inc.
Sally Beauty Holdings, Inc.
Samsung Electronics Co., Inc. Sempra Energy
Sensata Technologies Holding N.V.
Sensient Technologies Corporation
Silicon Laboratories Inc.
Smiths Group plc
Stagecoach Group plc
Stanley Black & Decker, Inc.
Staples, Inc. Starbucks Corporation
State Street Corporation
Superior Energy Services, Inc.

Swiss Reinsurance
Symantec Corporation
Target Corporation
Technip
The AES Corporation
The Bank of New York Mellon Corporation
The Children's Place, Inc.
The Nasdaq/OMX Group, Inc.
The PNC Financial Services Group, Inc.
The Procter & Gamble Company
The Travelers Companies, Inc.
The Walt Disney Company
The Western Union Company
TIBCO Software Inc.
Time Warner Cable, Inc.
TransDigm Group Incorporated
Tyco International Ltd.
UBS AG
United Parcel Service, Inc.
United Technologies Corporation
Urban Outfitters, Inc.
Uroplasty, Inc.
Verizon Communications, Inc.
Volcano Corporation
Vornado Realty Trust
Wells Fargo & Company
WESCO International, Inc.
Western Digital Corporation
William Hill plc
Windstream Holdings, Inc.
WPP plc

Statistics included in this report are calculated based on accounts for which MFS clients have fully delegated proxy voting authority pursuant to the MFS Proxy Voting Policies and Procedures. With the exception of the meetings voted statistics listed on page 2 of this report, all voting statistics exclude instances where MFS did not cast a vote. Statistics also do not include instances where an MFS client may have loaned shares and therefore was not eligible to vote. Statistics are calculated on a meetings-level basis.

Please be advised that the companies named in this report may not be held by an MFS client at the time this report is published.

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