



MFS 2018 Proxy Season Preview:

Proxy Policy Updates & Engagement Priorities

Overview

MFS believes that robust ownership practices 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. The 2018 Proxy Season Preview provides a summary of the major revisions to the MFS Proxy Voting Policies and Procedures ("Proxy Policy"), a review of the leading proxy voting issues as we approach the upcoming proxy season and details on our engagement priorities.

2018 Proxy Policy Amendments (effective March 1, 2018)

Our Proxy Policy affirms our commitment to casting all proxy votes in what we believe to be the best long-term economic interest of our clients. It outlines our general view on many proxy voting issues, including those relating to director elections, stock plans, executive compensation ("Say on Pay"), and shareholder proposals relating to ESG matters. It also describes how we manage potential, material conflicts of interest in regard to our proxy voting, our use of proxy voting advisory services, and our oversight activities to ensure all votes are cast in an accurate, complete and timely manner.

Our Proxy Policy is reviewed at least annually and is typically updated in the first quarter of the calendar year. Our annual Proxy Policy review includes: i) an analysis of relevant regulatory developments, including a review of ERISA rules; ii) a review of MFS' voting statistics for the most recent 12-month period ending June 30th; iii) a review of the disclosed proxy policies of many of our peers; iv) a peer analysis by ISS and Glass Lewis; v) industry summaries of growing trends in proxy voting; vi) input from MFS' investment team; and vii) participation in various industry roundtables and webinars. The 2018 amendments to our Proxy Policy are effective March 1, 2018.

MFS believes that a strong corporate governance structure is essential to the preservation and enhancement of long-term shareholder value. The two major revisions to the guidelines within the MFS Proxy Policies pertain to

board composition; specifically, the notion of board diversity and identifying potentially "over-boarded" directors.

In our view, a well-balanced and qualified board with strong independent leadership, is a critical component of a strong corporate governance structure. We also believe that a well-balanced and qualified board is comprised of individuals with varied skill sets and knowledge. An effective mix of skills, experiences and backgrounds can provide the board with valuable perspectives that, in turn, promote a well-functioning board of directors. Diversity of thought in the board room is a foundational tenet to sound corporate governance, and MFS believes it is important to hold corporate issuers accountable to this notion. Gender diversity is one of many ways a board can enhance the diversity of its views and skill sets.

Effective March 1, 2018, MFS has implemented a policy to vote against the chair of the nominating and/or governance committee at U.S. public companies whose board is not comprised of at least 10% female directors. We may consider exceptions to this policy if the company puts forth a reasonable argument related to transition issues (e.g.; retirement, refreshment or turnover). Other unforeseen, reasonable exceptions may be considered on a case-by-case basis.

MFS also believes that a director's outside commitments may have an impact on board productivity and effectiveness and requires increased attention when assessing company's governance profile, as the amount of time required of U.S. public company directors has grown significantly in recent years. The National Association of Corporate Directors (the "NACD") reported that directors spent an average of 378 hours per board seat in 2014 – an increase of nearly 50% from the NACD's data on average director's time commitment in 2005. In recognition of the increased time required of boards of directors, we are amending our Proxy Policy to limit the number of total public company boards for U.S. directors from five (5) total boards to four (4) total boards. For U.S. directors who serve as a public company CEO, we are amending our limit from three (3) total boards, to two (2) total boards. MFS may consider exceptions to this policy based on certain criteria as identified in the MFS Proxy Policy.

Updates to the MFS Proxy Voting Committee

In order to incorporate a diverse range of perspectives within our Proxy Voting Committee, as of January 1, 2018, the Proxy Voting Committee is now co-chaired by Heidi Hardin, General Counsel and Ted Maloney, Director of Global Research. Senior members from MFS' Investment Support Department, Legal Department and Investment team comprise our Proxy Voting Committee to foster communication and collaboration.

2018 Proxy Season Preview

Investors and issuers alike are preparing for an eventful 2018 proxy season with anticipated highlights including the impact of the new pay ratio disclosure rule issued by the Securities and Exchange Commission ("SEC") as well as the increasing popularity of certain environmental and social shareholder proposals. Beginning in 2018, most companies will be required to report the ratio comparing the compensation of the company's CEO to that of the company's median employee within its proxy materials. Guidance issued in September 2017 by the SEC provided additional clarity and flexibility regarding the methodology, calculation and disclosure of the ratio, somewhat easing the burden on corporate issuers. As a first-time disclosure, it remains to be seen what the impact will be on the issuer community and to what extent the investor community utilizes this ratio.

The 2017 proxy season was a breakthrough year for climate change resolutions, with three shareholder proposals registering majority support for the first time at Exxon Mobil, Occidental Petroleum, and PPL. The proposals were related to the business impact of the Paris Agreement's two-degree Celsius limit on global warming and requested more information from the companies as to their management of climate risk. In light of this historic level of support, shareholders are preparing to see an increased amount of climate change related proposals in 2018 as the topic continues to be an area of attention with respect to institutional investor engagement priorities and proxy voting policy evaluation.

Finally, the topic of diversity, both on the board level as well as in the workforce, is expected to be a topic in sharp focus for the 2018 proxy season. We expect to see investors' shifting expectations on this topic to be demonstrated through voted against management where boards may lack diversity, along with increasing investor support for shareholder proposals seeking enhanced disclosure on a corporate issuer's commitment to diversity either on the board level, the workforce, or as it relates to gender pay equity.

MFS' Global Engagement Program & 2018 Engagement Priorities

MFS believes that open communication with portfolio companies on proxy voting issues is an important aspect of our ownership responsibilities. Our goal when engaging with 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. We typically engage with senior members of the portfolio company's management team and believe such engagements have proven to be an efficient and effective mechanism to accomplish our engagement goals. However, we may request to speak directly to the company's board of directors if we believe a particular matter of concern requires escalation. Most of our engagements are held via conference calls to provide efficiency; however, some engagements may take place in-person or via a letter writing exchange.

In concert with our Proxy Policy updates that reiterate our focus on the importance of board composition, we plan to cover the following topics when engaging with MFS portfolio companies going forward: board diversity (specifically diversity of thought and the refreshment process), board size, board tenure and its potential impact

on the board's independence, and the qualifications of sub-committee chairs. We seek to understand the company's position on these issues and the actions taken to improve where the company may be short of market best-practice. With respect to executive compensation, in addition to monitoring for a pay-for-performance alignment, engagement discussions may also include inquiries regarding overall quantum, potentially excessive perquisites and incentive structure including, but not limited to, performance period length and vesting requirements.

To engage with MFS on a corporate governance or proxy voting matter, please contact Lindsey Apple, Senior Corporate Governance Analyst, via email (lapple@mfs.com).

Additional Resources

For more information about our proxy voting activities, including a complete copy of the MFS Proxy Voting Policies and Procedures, please visit the proxy voting section of www.mfs.com.

For a summary and review of MFS' 2017 sustainable investing activities, please see the MFS 2017 Sustainable Investing Annual Report, found in the proxy voting section of www.mfs.com.

For the MFS Policy on Responsible Investing, please visit www.mfs.com.

For information on how the MFS Funds and MFS Meridian Funds voted their shares at shareholder meetings during the most recent 12-month period ending June 30th, please visit the appropriate section of www.mfs.com. Quarterly voting reports for certain MFS-sponsored pooled vehicles are also available on the relevant www.mfs.com webpage.

Contact Information

We would be happy to receive feedback from our clients on this report. Please contact Senior Corporate Governance and Proxy Analyst Lindsey Apple (lapple@mfs.com) or your client service representative.

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