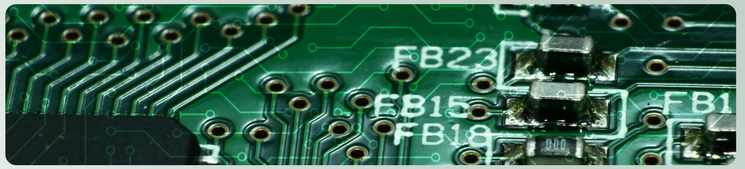
Breckinridge
CAPITAL ADVISORS

2024 Engagement



& Proxy Voting Report

Bond issuer engagement and equity shareholder proxy voting efforts at Breckinridge Capital Advisors demonstrate our commitment to stewardship principles on behalf of our clients.

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About Breckinridge

Breckinridge Capital Advisors is a Boston-based, independently owned asset manager working to provide the highest caliber of investment management. We serve private clients and institutions through a network of financial advisors, consultants and family offices.

OUR MISSION

Our mission is to work to provide the highest caliber of investment management, thereby facilitating a sustainable flow of capital from long-term investors to responsible issuers. As of June 30, 2025, Breckinridge manages more than $51 billion in assets for clients.

OUR INVESTMENT PHILOSOPHY

Our investment philosophy holds that investors are well served by counterbalancing higher-risk assets with high quality investments. Rigorous, independent research is a hallmark of Breckinridge. Our analyst teams seek to ensure that securities selected for our clients' portfolios meet our standards for risk and return.

OUR INVESTMENT PROCESS

Our investment process combines the traditional discipline afforded by fundamental financial analysis with innovative integration of key sustainability risks that could have the potential to materially affect the credit quality of security issuers over the long-term.

Issuer Engagement & Proxy Voting at Breckinridge

A Message from Rob Fernandez, CFA
Director, Sustainable Research

> *After more than a decade, we remain committed to integrating sustainable analysis into our investment process for the benefit of our clients.*

Our 2024 Engagement and Proxy Report details our efforts on behalf of investors to conduct engagement meetings with bond issuers and to carry out our shareholder proxy voting responsibilities.

Bond Issuer Engagement

Our ongoing program of engagement with bond issuers is a material component of our security research. We believe the attention and approach of corporate and municipal teams to sustainability issues can provide useful insight into the character and caliber of management. After more than a decade, we remain committed to integrating sustainable analysis into our investment process for the benefit of our clients.

Engagement meetings with bond issuers present opportunities for our analysts to gain insights into how issuers are managing, mitigating and adapting to financial and sustainability risks as they emerge and evolve across sectors and industries. In addition, we seek to learn about the strategies that issuers might pursue to leverage opportunities that sustainability topics may present. When combined with fundamental credit analysis, these insights can generate investment ideas that our investment analysts and portfolio managers may pursue on behalf of our clients.

Equity Shareholder Proxy Voting

Publicly traded companies hold shareholder meetings at which key issues are presented to a shareholder vote. Proxy voting enables the company's shareholders to submit their votes on each matter without attending the meeting in person.

Some investors who retain an asset manager to manage their account rely on the asset manager to advise and make voting decisions for them. In these cases, the asset manager typically makes investment decisions for the investor and incorporates voting into their services. We are typically asked to assume these responsibilities for investors in our equity strategies.

We vote proxies in the best interest of our clients. We consider both the short and long-term implications of the proposal to be voted on when considering the optimal vote. Our proxy voting update in this report provides additional insight into the policies and procedures that guide our work in this area.

We invite your attention to this 2024 Engagement and Proxy Report and welcome your questions if we can provide additional insight on any of the topics discussed.

Robert Fernandez

Rob Fernandez, CFA
Director, Sustainable Research

Municipal Bond Issuer Engagement

Communities, colleges, hospitals and utilities manage, mitigate and adapt to sustainability risks.

During more than 25 meetings in 2024, management teams at municipalities, nonprofit hospitals, public power utilities and community colleges met with Breckinridge's municipal research analysts. Each engagement meeting focused on how the issuers are addressing investment risks with the goal of sustaining business operations that support service delivery to growing communities.

Breckinridge's evaluation of municipal bond credit quality combines fundamental financial analysis and assessment of information related to operational sustainability. Credit quality rests on the capacity of the issuer to meet financial obligations to bondholders, while managing, mitigating and adapting to risks that could present material risks to operational stability over the long term.

During 2024, Breckinridge municipal bond issuer engagement focused on these sectors and risks:

SECTORS	RISK TOPICS FOR MANAGEMENT
Cities	Rapid population growth
Coastal Cities	Sea level rise (SLR)
Community Colleges	Skills-based education and broader economic development
Nonprofit Hospitals	Green infrastructure
Public Utilities	Carbon transition and physical climate risk

THE UNDERLYING INVESTMENT RISKS THESE TOPICS ADDRESSED INCLUDED:

Cities: Rapid population growth

Cities experiencing rapid population growth face significant sustainability challenges due to increased pressure on resources, infrastructure strains and the environment. Growing populations demand more water, food and energy, which can lead to shortages and higher costs. Overuse of natural resources can result in deforestation, soil degradation and water pollution. Upgrades to roads, public transportation, housing, and waste management infrastructure may help avoid traffic congestion, overcrowding, pollution and health risks. When unaddressed, housing issues can increase social inequality. Long-term sustainability risks emerging from rapid urban expansion include loss of natural habitats and reduced biodiversity. Zoning regulations and building codes can help address emerging risks from rapid population growth.

Zoning regulations and building codes can help address emerging risks from rapid population growth.

Community Colleges: Skills-based education and broader economic growth

Community colleges that advance skills-based education can foster economic growth through industry partnerships and local economic development. In some instances, colleges collaborate with local businesses to create place-based career pathways, ensuring students receive hands-on training that meets industry needs. These partnerships help rural and urban communities thrive by supporting sustainable industries and workforce development. In addition, community colleges that offer clean energy and sustainability programs help prepare students for careers in technologies that are in growing demand to ensure students gain relevant skills as the economy evolves. Many community colleges, helping to ensure equitable access to high-quality education and high-value careers in local economies, serve diverse student populations, including low-income and first-generation students.

Community colleges that offer clean energy and sustainability programs help prepare students for careers in technologies that are in growing demand to ensure students gain relevant skills as the economy evolves.

Coastal Cities: Sea level rise (SLR) and coastal flooding

Unchecked SLR can adversely affect a coastal community's infrastructure and economy. Examples include increased flooding and property damage, loss of land and infrastructure—including roads, utilities and housing—economic disruptions in the form of increased insurance costs, lower property values, and disruptions for local businesses. SLR also presents environmental and public health risks, such as saltwater intrusion contaminating freshwater supplies. Because rising seas exacerbate storm surges, cities may have to invest in coastal defenses, such as seawalls and flood barriers. Communities are integrating SLR risk mitigation strategies into their building codes.

Because rising seas exacerbate storm surges, cities may have to invest in coastal defenses, such as seawalls and flood barriers.

Nonprofit Hospitals: Green infrastructure

Hospitals are increasingly adopting green infrastructure to enhance resilience, reduce costs and mitigate risks associated with climate change and operational disruptions. Solar power and backup battery systems support resiliency for hospital operations during energy outages caused by extreme weather events, such as hurricanes and heat waves. Flood-resistant designs and stormwater management systems may prevent water damage and service interruptions. Also, because hospitals consume large amounts of energy, they can be vulnerable to rising utility costs. Energy-efficient heating and cooling systems, LED lighting and renewable energy may reduce operational expenses. Sustainable waste management programs can reduce costs and improve staff and patient safety. Green infrastructure, such as low-emission transportation and sustainable building materials can reduce pollution, improve patient outcomes and advance transitions to lower carbon operations. In addition, water conservation efforts help to ensure clean water availability, preventing contamination risks. Finally, compliance with climate-related regulations helps avoid legal and financial penalties.

Hospitals are increasingly adopting green infrastructure to enhance resilience, reduce costs and mitigate risks associated with climate change and operational disruptions.

Public Utilities: Physical climate risk and carbon transition

Extreme weather events, such as hurricanes, wildfires and heat waves, threaten power grids and reliability. Municipal power utilities must balance affordability, reliability and sustainability to meet community needs. A shift toward low- or no-carbon energy sources can address physical climate risks to improve climate resilience, bolster operational continuity and protect infrastructure. In addition, governments are enforcing carbon reduction mandates, requiring utilities to transition to clean energy, while climate-related financial disclosures can help utilities manage risks and attract investment. Utilities adopting solar, wind and battery storage reduce dependence on imported fuels and lower operational costs. Consumers and investors who demand sustainable energy solutions are pushing utilities to adopt carbon-neutral strategies.

A shift toward low- or no-carbon energy sources can address physical climate risks to improve climate resilience, bolster operational continuity and protect infrastructure.

In addition to the substantial efforts reflected in these sustainability engagement meetings in 2024, the municipal research team met with the management team at a city that issued $10 million of tax-exempt bonds leveraging the blockchain. The discussions enabled Breckinridge analysts to better understand how blockchain technology could be incorporated more broadly into the municipal market.

While the timing of adoption of blockchain is uncertain, our analysts feel that analyzing and monitoring the growth of this technology can provide benefits to the municipal market. Blockchain-based deals streamline workflow for municipal finance officials. Advocates of the technology for municipal bond issuers point to a potential to facilitate hyper-local debt sales, including a blockchain-enabled capability to lend in small increments to local residents.

Blockchain-based deals streamline workflow for municipal finance officials.

Our engagement meetings with the management teams at municipal bond issuers expanded on the fundamental research of our security analysts. Our analysts learned more information to continue to develop their credit quality evaluations, while management teams benefited from our broader perspectives of risks and effective management, mitigation and adaptation strategies.

CASE STUDY:

Coastal cities are responding to the threats of sea level rise, coastal flooding & saltwater intrusion

Members of the municipal research team conducted engagement meetings with municipal governments in five major coastal areas around the U.S. The discussions focused on municipal planning to manage, mitigate and adapt to the risks presented by ongoing climate change. Specifically, we discussed building codes, including the impact of salinity and sea level rise (SLR) on building materials.

Extreme weather

There have been persistent reminders of the threat of SLR, coastal flooding and saltwater intrusion in the **last 20 years** due to extreme weather.

2005

Hurricane Katrina

Catastrophic flooding in New Orleans reshaped urban planning around levees, flood barriers and emergency response.

2012

Superstorm Sandy

Flooding in New York and New Jersey accelerated discussions on climate adaptation and SLR mitigation.

NOW

Extreme weather alone is not driving the risk

Recent studies of so-called Sunny Day Flooding Events[1] show that coastal flooding is happening far more frequently than previously thought, even outside of extreme storms. For example, the King Tides[2] continue to threaten seaside cities. Around New Jersey's shoreline, rising tides have led to persistent flooding, **forcing municipalities to rethink infrastructure and zoning laws.**

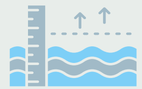
Significant costs

Several studies examine the total value of commercial and industrial real estate exposed to sea level rise and coastal flooding in U.S. cities.

$135B
in compromised commercial & residential real estate nationwide

Gensler, the global design and architecture firm, estimated in its study[4] that $135 billion in commercial and residential real estate nationwide could be compromised by 2045 due to rising sea levels.

Cushman & Wakefield, the commercial real estate services firm, reported that climate change is affecting commercial real estate valuations, with chronic flooding and rising insurance costs impacting asset values.[5]



10-12 INCHES
projected sea level rise by 2050

A 2022 National Oceanic and Atmospheric Administration (NOAA) Sea Level Rise Technical Report[3] estimated that coastal commercial real estate will face significant risks, with sea levels projected to rise 10 to 12 inches by 2050.

Significant threat to residential property

Research from the National Centers for Environmental Information (NCEI) examined the impact of rising sea levels on housing markets in selected coastal cities. The study found that coastal properties are becoming more prone to flooding, with risk levels dependent on location.[6]

Additionally, reports indicate that declining values due to erosion and extreme weather events affect luxury homes in coastal areas on the East and West coasts. Some properties that were once valued in the millions have sold for significantly less due to climate-related risks.[7]

1. Sunny day flooding occurs when seawater inundates coastal areas during high tide, even without a storm or heavy rainfall.
2. A King Tide is a non-scientific term people often use to describe exceptionally high tides.
3. "*U.S. coastline to see up to a foot of sea level rise by 2050*," National Oceanic and Atmospheric Association, February 2022.
4. "*Real Estate Must Adapt*," M. Arthur Gensler Jr. & Associates, Inc. 2021,
5. "U.S. Commercial Real Estate's Environmental Performance," Cushman & Wakefield, September 2022.
6. "Sea Level Rise and Housing Markets: New method reveals potential losses at four U.S. locations," National Centers for Environmental Information, March 22, 2022.
7. "*Luxury homes on these beaches are losing value fast, as effects of climate change hit hard*," Diana Olick, CNBC, June 14, 2024.

Responding to the threat of sea level rise, coastal flooding & saltwater intrusion

Cities are adopting resilience strategies, including elevated infrastructure, flood barriers and managed retreat policies.

There are organizations working with local governments to address myriad risks stemming from SLR, coastal flooding and saltwater intrusion.

The Florida Department of Economic Opportunity offers a guide on integrating SLR adaptation into local mitigation strategies, helping municipalities incorporate resilience planning into their policies. The California Department of Toxic Substances Control (DTSC) collaborates with state agencies to assess and mitigate sea level rise impacts, focusing on environmental risks and contaminated site management. The Southern Maine Planning and Development Commission (SMPDC) provides municipal guidance for coastal resilience, including model ordinance language for cities in Maine to strengthen their flood and erosion protections.

These organizations emphasize adaptation planning, nature-based solutions and regulatory frameworks to help cities prepare for SLR.

Our engagement meetings with municipal management teams indicated a high and increasing level of awareness of the financial and health threats associated with SLR, coastal flooding and saltwater intrusion. **We will continue to monitor these and other climate change risks that have the potential to materially affect the financial health of cities and other municipal bond issuers.**

KEY FINDINGS FROM OUR ENGAGEMENT MEETINGS INCLUDED:

$4-$6B
to harden ~70 miles of coastline

Southern New England City

City officials estimate that it would cost approximately $4 to 6 billion to harden the city's approximately 70 miles of coastline. The issuer is the only city in the country with a coastal flood resilience overlay district, which was created in 2019 to provide a forward view of flood risks. The city also prioritizes building infrastructure to safeguard neighborhoods most likely to flood during big storms. Estimates are that hardening the city's shoreline would entail 100 separate projects on land owned by the city and the state and land held privately.

New England City

The city began studying saltwater intrusion and SLR in 2012, employing scenarios to gauge what the city would look like in 2100. Through the study, the city learned that residents already were having issues with groundwater rising through their basements. Based in part on the findings, city building codes require foundations for all new structures to be two feet higher than the Federal Emergency Management Agency (FEMA) flood zone requirement. All jurisdictions in the city's state are required to follow the state building code and may add their own requirements to the code. This provision for local oversight exists in other states and cities we cover.

Pacific Coast City

The city has experienced and developed responses to SLR and saltwater intrusion effects for several years. For example, the city tests soils for corrosivity along the waterfront and routinely finds evidence of elevated salinity. Developers of projects greater than $5 million must complete an SLR guidance checklist that reflects SLR exposures on city locations in the next 100 years. An interdepartmental climate group operating within the city addresses SLR and flood hazards, as well as beach erosion and managed retreat plans.

Northeast Metropolitan City

The issuer seeks to sustain a balanced community of commercial, residential, retail and park space, including more than 100 buildings, about 25,000 residents and more than $15 billion in property value. The issuer's work fits with a larger coastal resilience initiative. Estimates are that by the 2050s, 37 percent of buildings in the area and supporting infrastructure will be at risk from storm surge. Floodwalls are being constructed so that an additional two feet of SLR can occur without additional structural work. Innovation reflected in the issuer's work includes material supportive of marine life used in floodwall construction.

37%
of buildings will be at risk from storm surge

150 MILES
of county-owned roads expected to be underwater by 2045

Southeastern County in a Coastal Region

The state's minimum building code requirements, among the most progressive and stringent in the U.S., mandate an additional one foot of elevation above the base flood evaluation level in the state. The county seeks to promote direct growth to the least environmentally sensitive areas, which tend to be higher-elevation areas. Of particular concern to the issuer is an expectation that half of the 300 miles of county-owned roads will be underwater by 2045. Today, up to 1.5 feet of water covers the roads during October and November in King Tides. A plan to raise those exposed roads calls for spending of more than $1.8 billion. In addition, the county plans to elevate 4,700 homes, which would require cost sharing with homeowners.

Corporate Bond Issuer Engagement

Examining sustainability risk management, mitigation, and adaptation for long-term performance.

During more than 100 meetings in 2024, management at corporations across investment sectors met with Breckinridge's corporate research analysts. Each engagement meeting focused on how the bond issuers are addressing investment risks with the goal of sustaining profitable business operations.

Breckinridge's evaluation of corporate bond credit quality comprises fundamental financial analysis and assessment of information related to operational sustainability. Credit quality rests on the capacity of the issuer to meet financial obligations to bondholders, while managing, mitigating and adapting to risks that could present material risks to operational stability over the long term.

During 2024, a subset of Breckinridge corporate bond issuer engagements focused on these sectors and risks:

SECTORS	RISK TOPICS FOR MANAGEMENT
Banking	Financed greenhouse gas (GHG) emissions
Industrials	Scope 3 GHG emissions
Food and Beverage	Product packaging, supply chain management and healthy product offerings
Insurance	Human capital management (HCM), data privacy and security risks
Technology	HCM, artificial intelligence-related data privacy
Real Estate Investment Trusts (REITs)	The use of AI and embodied carbon
Basic Materials	Nature-related financial disclosure

THE UNDERLYING INVESTMENT RISKS THESE TOPICS ADDRESSED INCLUDED:

Banking: GHG emissions

Banks consider the GHG emission profiles of companies in loan and financing portfolios because, unchecked, GHG emissions can affect a business's financial stability, operations, reputation, and ultimately, ability to pay back bank debt. Companies may pay fines or penalties for failing to meet emissions rules. Carbon pricing and emissions-related taxes can increase operational costs. Extreme weather events linked to climate change can disrupt supply chains, disrupt production, damage infrastructure, and increase insurance costs, which may lead to financial losses. Reputationally, businesses that fail to address GHG emissions and the climate risks they cause may lose business from customers or financing from lenders who prioritize sustainability.

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Industrials:

Scope 3 emissions

Similarly, Scope 3 GHG emissions[8] can pose significant risks for industrial companies, affecting financial stability, regulatory compliance and reputation. Companies that ignore Scope 3 risks may find reduced interest among investors and increased borrowing costs. Because Scope 3 emissions often stem from suppliers and logistics, companies may face operational disruptions if key suppliers fail to meet sustainability standards.

Embodied carbon

Embodied emissions[9] can affect sustainability, financial performance and regulatory compliance. In certain jurisdictions, regulatory efforts to address carbon emissions require REITs to disclose and reduce embodied emissions from construction materials and building operations. Retrofitting older buildings to reduce embodied emissions can be expensive, but failing to do so may lead to higher long-term costs, and could discourage investors who prioritize sustainability in their portfolios to avoid capital allocations to REITs that do not address emissions risks.

Retrofitting older buildings to reduce embodied emissions can be expensive, but failing to do so may lead to higher long-term costs.

Food and Beverage:

Sustainable packaging

Using biodegradable or recyclable packaging reduces costs and may address consumer demand for eco-friendly products. In addition, reducing material weight lowers transportation costs and environmental impact. Sustainable packaging can also address local environment regulations including requirements for recyclability, biodegradability and waste management.

Supply chain efficiency

Supply chain management can preserve food quality. Technology, such as AI-powered logistics, may reduce transit time, monitor product location and help reduce spoilage.

Healthy products

Product offerings that meet evolving consumer demand or health regulations may support future market access while avoiding penalties. Offering healthier products may attract health-conscious consumers, while clear ingredient lists and nutritional information may address emerging regulations and build consumer trust.

Product offerings that meet evolving consumer demand or health regulations may support future market access while avoiding penalties.

Insurance: Human Capital Management (HCM)

Ineffective HCM can increase workplace injuries, fraud, internal theft, lead to higher turnover and cause increased recruitment and training costs. Non-compliance with fair hiring, equitable pay and inclusive work environment requirements can lead to fines, penalties and reputational risk. Thoughtful HCM can improve productivity, customer service and overall business performance, while poor workplace culture may lead to absenteeism, burnout and inefficiencies.

Thoughtful HCM can improve productivity, customer service and overall business performance.

Real Estate Investment Trusts: Data privacy and AI

Companies handle increasing amounts of sensitive customer data. AI-driven systems process vast amounts of sensitive data, making them prime targets for cyberattacks. Ineffective data and cybersecurity management can lead to breaches, financial losses, regulatory penalties, lawsuits and reputational damage.

The expansion of AI technologies adds new dimensions to data privacy and cybersecurity risks. AI algorithms can reinforce biases, leading to discriminatory hiring practices, unfair decision-making, and biased property valuations and tenant screening, which may unintentionally reinforce biases.

Additionally, AI models require high computational power, contributing to carbon emissions and resource depletion. Automation can replace human jobs, creating economic and social instability, contributing to HCM challenges.

The expansion of AI technologies adds new dimensions to data privacy and cybersecurity risks.

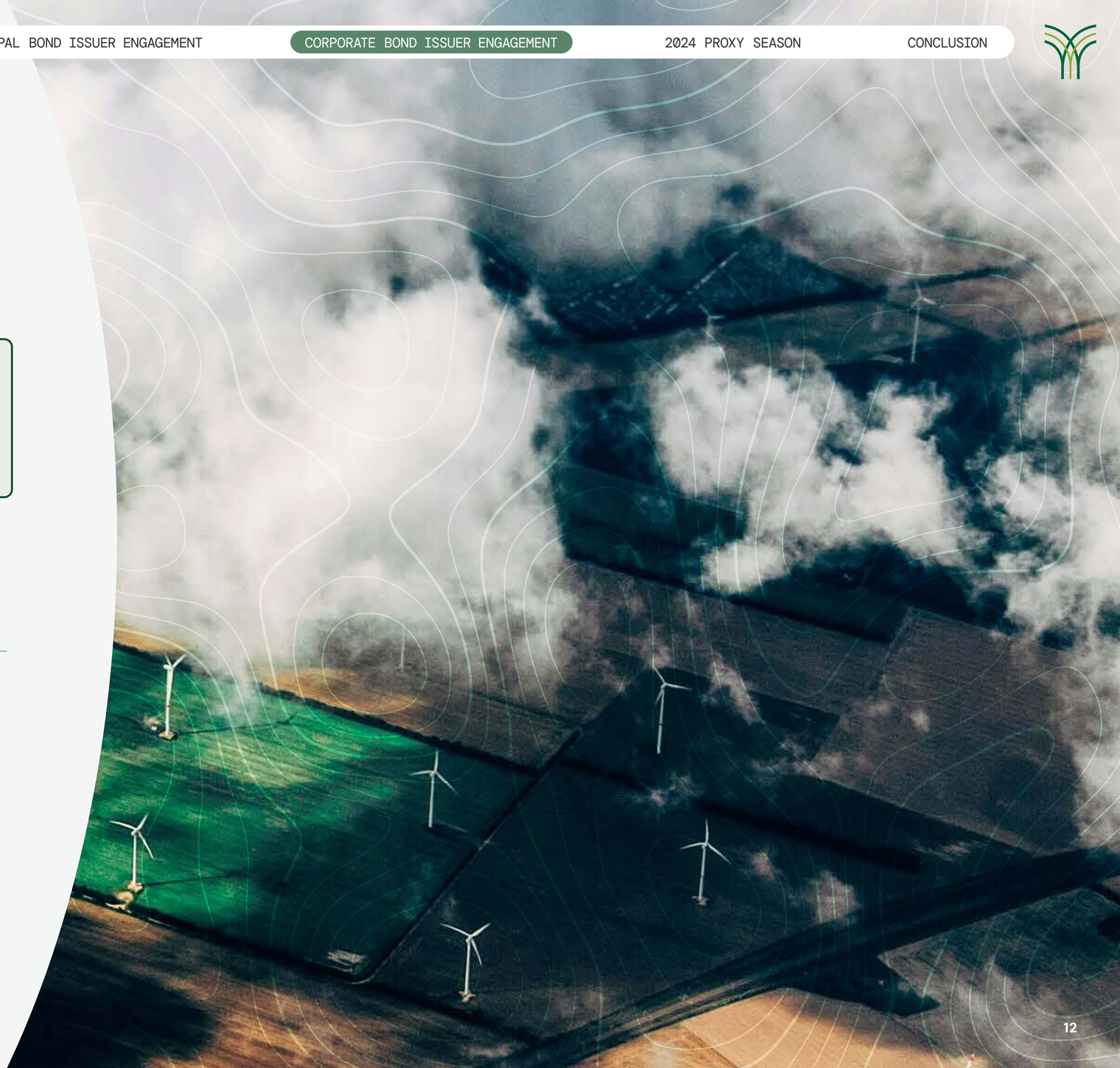
8. Scope 3 GHG emissions refer to indirect emissions that occur outside a company's direct operations but are still part of its value chain. These emissions come from upstream and downstream activities, such as supplier emissions, transportation, product use, and disposal. Unlike Scope 1 (direct emissions from owned sources) and Scope 2 (indirect emissions from purchased electricity), Scope 3 emissions are often the largest portion of a company's carbon footprint and the hardest to measure.
9. Embodied emissions refer to the greenhouse gas emissions associated with the lifecycle of a product or materials, from the extraction of raw materials to disposal.

In addition to the substantial efforts reflected in these engagement meetings in 2024, the corporate bond research team held 14 engagement meetings with respect to decarbonization and corporate pathways to Net Zero emissions. The meetings allow analysts to gain greater insights about the progress these companies are making along the pathway to achieving net zero financed emissions by 2050 or sooner, which includes an evaluation of climate transition risk.

14 ENGAGEMENTS
with respect to decarbonization and pathways to Net Zero emissions

2050 OR SOONER
target for companies to achieve net zero financed emissions

Our engagement meetings expanded on research-derived insights to risk mitigation and management strategies. The meetings were productive for all participants because, while our analysts developed more information to continue with their credit quality evaluations, corporate management teams gained benefit from our broader view of sector risks and risk management perspectives.



CASE STUDY:

Regenerative agriculture can be key to ingredient supply chain management

The food and beverage sector produces packaged foods and drinks for retail consumers. It is highly dependent on its suppliers for the agricultural ingredients used to make products like soup, breakfast cereal and beer. As a result, management of the agricultural supply chain is a material sustainable risk factor for the sector.[10]

Food and beverage companies are exposed to potential sustainability challenges facing suppliers, including water constraints and raw materials procurement. Importantly, food and beverage producers actively partner with their suppliers to help mitigate key risks and boost resilience. An emerging approach is in an area of sustainable farming known as regenerative agriculture. In this section, we highlight this increasingly accepted farming practice along with insights gained on the topic from engagement discussions with food and beverage companies. We focus on developments in the U.S.

Farming is an important sector in the U.S. Economy

According to the U.S. Department of Agriculture (USDA), farms and other industries that depend on agricultural ingredients (i.e. food and beverage companies) contributed 5.5 percent to U.S. GDP in 2023.[11] It is broad based, with 1.89 million farms operating across all fifty states. Production and income were dominated by large-scale farms, defined as those earning $1 million or more in gross cash farm income (GCFI).[12] Farms are overwhelmingly owned by families (96 percent), with the minority held by corporations.[13]

5.5% OF U.S. GDP
contributed from farms and industries that depend on agricultural ingredients

1.89 MM
farms operating across all fifty states

96%
of farms are owned by families

LARGE-SCALE FARMS
dominate production and income

Farming in the U.S. is highly mechanized

Farming in the U.S. is highly mechanized and commercialized. It is characterized by the use of heavy equipment, such as tractors and harvesters, and dependence on artificial fertilizers, pesticides and irrigation. It also relies on monocropping, where a farm devotes its acreage for growing one type of crop for sale to commercial customers.

Adoption and proliferation of the techniques in the U.S. over the past several decades has delivered substantial benefits to the sector and society as a whole, including a significant increase in crop yields, labor savings and cost reductions for farmers and the ability to utilize previously unusable land.[14]

Today's farming methods are characterized by:

Artificial Fertilizers

Pesticides

Irrigation

Monocropping

Benefits to these methods include:

Increased Crop Yield

Labor Savings

Cost Reductions

Utilize Unusable Land

10.The Sustainability Accounting Standards Board (SASB) identifies the Environmental & Social Impacts of the Ingredient Supply Chain as a material issue for the Food & Beverage, Processed Goods sector.
11. https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy
12. https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income
13. https://www.nass.usda.gov/Newsroom/archive/2021/01-22-2021.php
14. https://www.ers.usda.gov/amber-waves/2022/april/innovations-in-seed-and-farming-technologies-drive-productivity-gains-and-costs-on-corn-farms

CASE STUDY: **REGENERATIVE AGRICULTURE CAN BE KEY TO INGREDIENT SUPPLY CHAIN MANAGEMENT**

Drawbacks of mechanized farming

Alternately, mechanized farming also has major drawbacks. It can take a heavy toll on the environment with the degradation of agricultural soil, pollution of rivers and streams from the runoff of fertilizers and the loss of biodiversity due to the focus on monocropping. As an example of its impact, a study by the U.S. Department of Agriculture (USDA) of farmland in the Midwestern United States found that the region has lost 57.6 billion metric tons of soil to runoff over the last 160 years. They note that the "soil loss is already causing food production to decline" and "the level of erosion may have become unsustainable."[15] Farms in Iowa have lost approximately 50 percent of their soil depth over the course of the 20th Century, from 14 inches to 18 inches in 1990 to 6 inches to 8 inches in 2000.[16] Scientists view this ongoing soil erosion as a "major problem" for the long-term viability of farming in the state.[17]

Recognizing harmful impacts

Recognition of the harmful impacts of mechanized farming practices is leading companies and farmers to identify ways to farm more sustainably. An increasing area of focus is regenerative agriculture. A leading packaged goods company defines regenerative agriculture as the "holistic, principles-based approach to farming and ranching that delivers positive environmental, social and economic outcomes."[18] Key principles of regenerative agriculture are summarized in the table to the right.

Soil Degradation

Water Pollution

Biodiversity Loss

56.7BN METRIC TONS
of soil was lost to runoff in the last 160 years in the midwestern U.S. regon

50% LOSS
in soil depth over the course of the 20th Century in Iowa

PRINCIPLE	DESCRIPTION
Understand the Context	Recognize the unique characteristics of the farm
Minimize Soil Disturbance	Limit disruption, such as by using low-till planting equipment and less chemical amendments
Keep the Soil Covered Year-Round	Plant cover crops to protect uncultivated soil
Preserve Living Roots in the Soil	Living roots help to maintain important ecosystems
Maximize Plant Diversity	Plant multiple crops in the same field
Reintroduce Livestock	Allowing livestock to graze on fields promotes healthy plants and soil

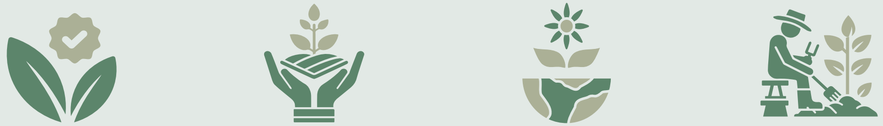
Source: Royal Agricultural Society of England, General Mills

15. https://www.sciencenews.org/article/soil-erosion-rate-us-midwest-unsustainable-usda#:~:text=Then%2C%20the%20USDA%20numbers%20might,to%20decline%2C%E2%80%9D%20Larsen%20says
16. https://www.bbc.com/future/bespoke/follow-the-food/why-soil-is-disappearing-from-farms/
17. GMO The Race of Our Lives Revisited, August 2018
18. https://www.generalmills.com/how-we-make-it/healthier-planet/environmental-impact/regenerative-agriculture

CASE STUDY: **REGENERATIVE AGRICULTURE CAN BE KEY TO INGREDIENT SUPPLY CHAIN MANAGEMENT**

Advantages of regenerative agriculture

Regenerative agriculture is known to have several advantages over conventional farming practices. It leads to the development of healthier and more nutrient-rich soils and supports greater biodiversity on the farm by limiting pesticide use and planting diverse crops. Additionally, it helps prevent soil erosion through cover cropping and low or no-till planting. It also allows farmers to grow crops that are more resilient to extreme weather and disease. This leads to more consistent supply which results in better price stability for farmers, and better forecasting for food manufacturers. Inconsistency in these factors can lead to price increases for consumers and in some cases, lower demand for products.



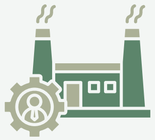
~1.5% OF 900MM ACRES

are being cultivated with regenerative practices

It is estimated that approximately 1.5 percent of the 900 million acres of farmland in the U.S. are being cultivated with regenerative practices.[19] This percentage is poised to grow in the coming years, assisted by the sustainability strategies of major food and beverage companies. A few details of these plans gained from our engagement discussions are shared in the next section.

Thoughtful approaches to new initiatives

In 2024, Breckinridge held direct dialogues with eight companies in the food and beverage sector. Interestingly, seven of the eight companies are pursuing regenerative agriculture initiatives, with some companies taking a much more thoughtful and comprehensive approach than others.



Cutting greenhouse gas emissions

For example, a global producer of wine, beer and spirits is encouraging suppliers to utilize regenerative agricultural programs to help cut their greenhouse gas (GHG) emissions, better manage water scarcity risks and counteract biodiversity loss. It has a goal to implement regenerative practices across five regional landscapes by 2030, up from three currently. One of the landscapes is Ireland, where the company is piloting a three-year program with 40 barley farms to institute practices that include soil health improvement and the use of cover crops.

Land conservation

Another company we spoke with is in the early stages of rolling out its regenerative plan. This maker of soda and coffee believes the practices will help develop small farmers by boosting their profitability. It is pledging to support regenerative agriculture and conservation across 250,000 acres globally by 2030, up from 43,000 in 2023.

19. https://www.reuters.com/business/sustainable-business/farmers-trying-restore-life-americas-stressed-soils-climate-change-bites-2022-09-14/#:~:text=According%20to%20Dr%20Kristine%20Nichols,1.5%25%20is%20being%20farmed%20regeneratively.

CASE STUDY:

Multinational food manufacturing & marketing company

Of the companies we engaged with in 2024, we view an issuer engaging in food manufacturing and marketing as having the most developed regenerative agriculture strategy.

Notable goals

Notably, the company set a goal to advance regenerative practices across 1 million acres of farmland by 2030. In addition, it explained the context and importance of the goal to its operations. The 1 million acres represents 30 percent of the land area the company requires for its ingredients. This would include grain for direct purchase or used to feed animals, such as dairy cows, that produce ingredients sourced by the company.

1MM ACRES

goal number of acres to advance regenerative farming practices to by 2030; the 1 million acres represents 30% of the land area the company requires for its ingredients

ENGAGEMENT PACE ROSE

pace of engagement with farmers rose from 235,000 to 500,000 in two years

Engagement with farmers

We learned on the call that the issuer's pace of engagement with farmers more than doubled from 2022 to 2023, rising from 235,000 in 2022 to 500,000 over the two years. The company defines engagement as a farmer that has committed to piloting a regenerative practice most applicable to their crop or farm.

Understanding limitations

For example, sugar beets, which are used as an ingredient in cereals and baking mixes, could never follow the regenerative practice of no-till farming, as the roots need to be dug up before replanting.

Coaching and education

Farmers also benefit from technical assistance and personalized one-on-one coaching provided by the issuer, government partners (such as the USDA) and philanthropic sponsors.

2024 Proxy Season

Breckinridge's Equity Strategies

Breckinridge manages two equity strategies: High Quality Dividend and Sustainable High Quality Dividend.

The strategies seek to generate a reliable income from dividends along with long term capital appreciation by investing in large-capitalization, investment-grade companies with a strong record of paying dividends. The Sustainable offering incorporates an additional overlay for greater consideration of sustainability risks, selectively investing in companies with above average and/or improving sustainability profiles as determined by Breckinridge's research team.

Believing that credit quality can be a strong predictor of a company's reliability as a dividend payer, the strategy leverages Breckinridge's research by embedding the firm's credit ratings in a rules-based methodology that selects stocks according to fundamental criteria to capture strong dividend payer attributes, as defined by our investment team.

Proxy Voting

Breckinridge votes proxies for companies held in client accounts. We vote proxies in the best interest of our clients. We consider both the short and long-term implications of the proposal to be voted on when considering the optimal vote.

Proxy voting is managed by our Proxy Committee (PC), which is chaired by our Director, Sustainable Research, and is comprised of members from our research and consultant relations teams. The Co-Head of Research and the Chief Compliance Officer (CCO) are ad-hoc, non-voting advisory members. The PC reports to our Investment Committee (IC).

Proxy voting is managed by a set of proxy voting guidelines that are applied to all client accounts to which we have voting authority. Our guidelines reflect our investment philosophy and approach to material sustainability risk integration. We also leverage the research of our third-party voting service provider, Glass Lewis.

When Breckinridge reviews a shareholder proposal, we consider three criteria: 1) the materiality of the issue being addressed to the company's core business, 2) the quality of management's oversight of material sustainability risks and 3) whether a similar proposal has been filed at the company in the past. The proposal's performance in this assessment helps to inform our decision on whether it's in the client's best interest or not.

> *"Our guidelines reflect our investment philosophy and approach to material sustainability risk integration.*

How Breckinridge Voted in 2024

In 2024, Breckinridge cast **2,013 ballots** for **133 companies**.

Votes Cast in 2024 – For or against management's recommendation

TYPE	MANAGEMENT	SHAREHOLDER	TOTAL
With Management	1,416	135	1,552
Against Management	360	102	462
Total	**1,776**	**237**	**2,013**

In 2024, we backed a majority (80 percent) of management directed proposals. These were largely related to the reelection of board members and votes on executive compensation. We also did not support the election of certain board members. For example, Breckinridge will not vote for the chair of the audit committee at a company that does not provide Sustainability Accounting Standards Board (SASB) reporting. We value SASB's contributions to the sustainability reporting field. The organization created standards for the reporting of material sustainability information across seventy-seven industries. They are considered best practice and have been adopted by many companies globally.

Votes Cast in 2024 – For or against the proposal

PROPOSAL CATEGORY	FOR PROPOSAL	AGAINST PROPOSAL	TOTAL
Management Proposals			
Audit/Financials	**33**	**106**	**139**
Board Related	**1,218**	**215**	**1,433**
Shareholder Proposals			
Compensation	**17**	**17**	**34**
Environment	**22**	**22**	**44**
Social	**34**	**80**	**114**
Governance	**27**	**12**	**39**

Management proposals related to audits and financials are primarily related to the ratification of the company's auditor. As per our policy, Breckinridge will vote against the renewal of the auditor if it has been in place for over twenty years. This was the case for several companies, and accordingly, we rejected management's recommendation. We view periodic replacement of the external auditing function as a sound governance practice.

Breckinridge's support of shareholder-led proposals was split in 2024. We voted in favor of proposals that requested improved disclosure of material sustainability risks, the assignment of an independent board chair and greater transparency of the company's lobbying activities. Breckinridge voted against shareholder proposals that, based on our determination, addressed non-material issues for the company.

CASE STUDY:

Report on the use of AI at a large technology company

In 2024, a shareholder filed a proposal at a large U.S. technology company. The proposal called on the company to publish a publicly-available report explaining its use of AI in its business operations and whether it adheres to AI related ethical standards.

Reputational risks of AI integration

The proponent justified its request by highlighting the reputational risks of AI, including the potential impact on customer data privacy. In addition, it noted that adhering to an AI ethical use policy will fortify its leading position as a responsible market participant.

Initial hesitations

The company's Board of Directors recommended that shareholders reject the proposal. They cited concerns such as the overly broad nature of the disclosure request and that existing AI disclosures were sufficient.

We also considered Glass Lewis' opinion. It supported the resolution, believing that enhanced reporting would help shareholders better understand this emerging business risk.

In favor of transparency

Breckinridge reviewed the proposal and determined that the ethical use of AI was a material sustainability risk topic for this company. We also regard the company's current oversight of sustainability risks as lagging in key areas. Ultimately, we concluded that a transparency report covering the use of AI would be in the best interests of our clients. As a result, we voted in favor of the proposal.[20]

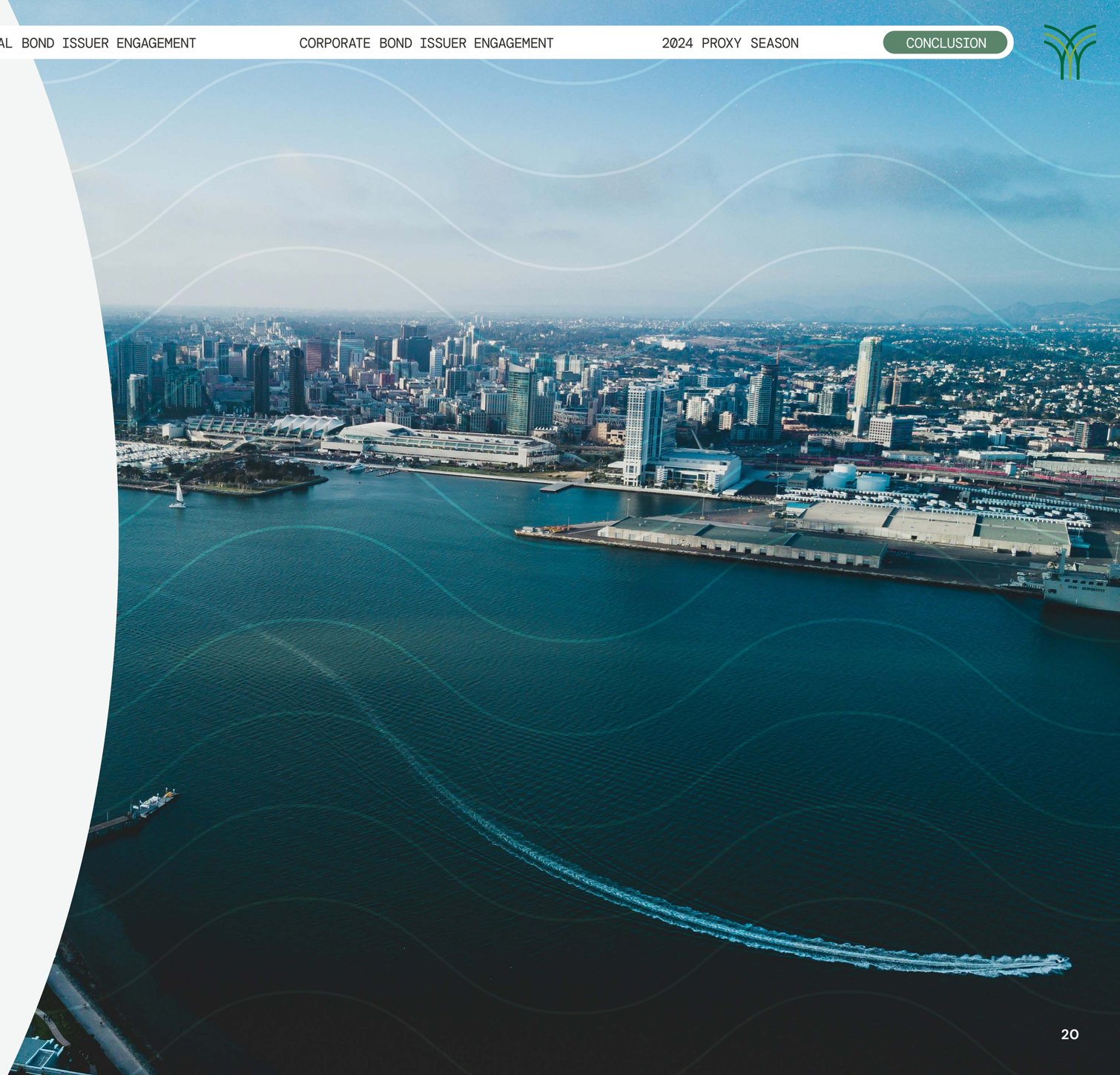
20. 37 percent of shareholders voted in favor the resolution.

Conclusion

Our 2024 Engagement and Proxy Voting Report illustrates our proactive efforts to augment our security research with direct management dialogue with bond issuers and to fulfill our responsibility to shareholders invested in our equity strategies by thoughtfully executing their voting proxies.

This engagement and their proxy votes work addresses practical and material investment risks that could impact the credit quality of the securities held in our clients' portfolios. Engagement and proxy voting are also effective means for investors to highlight tactics and efforts that can improve the current operations of corporate and municipal security issuers.

We value the role of issuer engagement and proxy voting in our investment process and are committed to continuing them. If you would like to learn more about sustainability engagement or proxy voting at Breckinridge, please do not hesitate to contact our Consultant Relations team (*cr@breckinridge.com*).



DISCLOSURES

BCAI-06272025-dsvgn9cf (7/3/2025)

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Equity investments are volatile and can decline significantly in response to investor reception of the issuer, market, economic, industry, political, regulatory or other conditions.
When integrating sustainability analysis with traditional financial analysis, Breckinridge's investment team will consider material sustainability factors but may conclude that other attributes outweigh the sustainability considerations when making investment decisions.
There is no guarantee that integrating sustainability analyses will improve risk-adjusted returns, lower portfolio volatility over any specific time period, or outperform the broader market or other strategies that do not utilize these analyses when selecting investments. The consideration of sustainability factors may limit investment opportunities available to a portfolio. In addition, data for sustainable factors often lacks standardization, consistency and transparency and for certain companies such data may not be available, complete or accurate.
Breckinridge's sustainability analysis is based on third party data and Breckinridge analysts' internal analysis. Analysts will review a variety of sources such as corporate sustainability reports, data subscriptions, and research reports to obtain available metrics for internally developed frameworks. A high sustainability rating does not mean it will be included in a portfolio, nor does it mean that a bond will provide profits or avoid losses.