


2025 Engagement & Proxy Voting Report



Breckinridge Capital Advisors fixed income research analysts meet with corporate and municipal management representatives on behalf of our fixed income investors. Our firm also votes on shareholder proposals through a proxy voting program on behalf of our equity investors. This report provides insights into these efforts during 2025.



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About Breckinridge

Breckinridge Capital Advisors is a Boston-based, independently owned asset manager that serves high-net-worth individuals and large institutions through a network of financial advisors, consultants, and family offices.

1993

Year Founded

\$55B

Assets Under Management

88

Employees

Data as of March 31, 2026

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 March 31, 2026, Breckinridge manages more than \$55 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' portfolio meet our standards for risk and return. At Breckinridge, sustainability is an integral part of our investment approach.

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

"We continue to believe that issuer engagement on material credit and sustainability topics complements traditional research efforts to identify, understand, and manage investment risks."

We are pleased to provide our 2025 Engagement and Proxy Report, underscoring our commitment to engagement with bond issuers and thoughtful proxy voting. We continue to believe that issuer engagement on material credit and sustainability topics complement traditional research efforts to identify, understand, and manage investment risks. We also manage proxy voting for clients in our High Quality Dividend equity strategies utilizing our custom voting guidelines.

BOND ISSUER ENGAGEMENT

Bond issuer engagement is a 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.

Engagement meetings enable our analysts to monitor and measure the consistency and continuity of efforts to manage, mitigate, and adapt to financial and sustainability risks as they emerge and evolve across sectors and industries.

Our corporate analysts have seen the conversation around energy supplies and fossil fuels shifting in recent years. Our engagement meetings have captured valuable insights into ongoing corporate climate goals and programs. Changing government and customer views on food, nutrition, vaccines, and healthcare received heightened attention from corporate management in 2025.

For our municipal research analysts as well, 2025 included discussions with bond issuers about risks associated with changes in government funding and the impact of unionized labor in nonprofit hospital systems. Changes in these areas, for example, could materially affect disaster recovery planning in cities, enrollment and research

initiatives at colleges and universities, or hospital patient care and new treatment development. Inquiries into the potential benefit of artificial intelligence (AI) in municipal operations represented an additional new area of inquiry for our analysts during the past year.

When combined with our extensive fundamental credit analysis, insights gained through our engagements can generate investment ideas that our analysts and portfolio managers pursue on behalf of our clients. Finally, for certain issuers, we will encourage disclosure of material sustainability factors and/or progress in managing material sustainability risks.

EQUITY SHAREHOLDER PROXY VOTING

We vote proxies in the best interests 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 include a case study on two similar shareholder proposals to elaborate on our proxy voting approach.

We invite you to review our 2025 Engagement and Proxy Report and welcome any questions you may have or requests for additional information on the topics discussed.

Rob Fernandez, CFA
Director, Sustainable Research



Municipal Bond Issuer Engagement

Breckinridge's research team conducted 29 engagement meetings in 2025 with management teams from airports, housing finance agencies, municipalities, nonprofit hospitals, and higher education issuers. Each meeting addressed sustainability-related investment risks associated with long-term operating resilience.

29

Engagement Meetings in 2025





Breckinridge's municipal engagement focused on these topics:



AIRPORTS

Sustainability Initiatives

INVESTMENT RISK EXPOSURE:

Airports are capital-intensive, fixed-location assets. Their financial strength depends on uninterrupted access, stable demand, and predictable operating expenses. Airport sustainability risks can directly affect airport capacity, operating costs, and long-term asset value. These factors determine whether an airport can reliably generate the cash flow needed to service its bonds. Our analysts discussed sustainable land use; sustainable aviation fuel (SAF); operational emissions; sea-level rise (SLR) and climate-driven flooding; and airport accessibility and transportation resilience, among other issues.



COLLEGES & UNIVERSITIES

Federal Research Funding

INVESTMENT RISK EXPOSURE:

Federal cuts to research funding can heighten credit risks for colleges and universities. Risks include enrollment stability, profitability, academic program viability, and diminished capacity to invest in buildings and infrastructure. The loss of federal grants can also negatively impact surrounding local and regional economies. For example, population growth can result from robust research programs and student graduation rates.



CITIES

FEMA Funding Changes

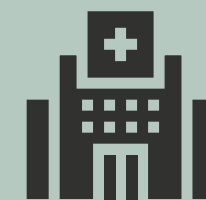
INVESTMENT RISK EXPOSURE:

Cities depend on the Federal Emergency Management Agency (FEMA) for rapid, large-scale reimbursement after disasters. If that support shrinks, financial pressures can emerge. Potential cuts to FEMA funding are a material credit risk for cities because they weaken the financial backstop that local governments rely on after extreme weather events. Our analysts met with municipal management in cities and metropolitan regions that are highly exposed to flooding, wildfires, or sea-level rise, where reduced FEMA support could accelerate diminished economic competitiveness, slow recovery times, reduce private investment, and drive population out-migration.

Opportunities & Challenges with Artificial Intelligence

INVESTMENT RISK EXPOSURE:

AI is material to municipal credit because it can either strengthen fiscal resilience through lower costs, better asset management, and more stable revenues, or through new liabilities stemming from cybersecurity failures, rising technology expenses, and governance risks. Effective use of AI can improve resilience and protect long-term growth prospects, while poor implementation can amplify vulnerabilities and weaken the economic base that supports municipal bonds.



HOSPITALS

Labor Management

INVESTMENT RISK EXPOSURE:

During and following the COVID-19 pandemic, labor was a key issue driving net income losses across the nonprofit hospital sector. Although it is no longer headline news, labor management remains a short- and long-term challenge for hospitals. Challenges include a shortage of trained nurses, leading hospitals to hire temporary and higher-cost agency nurses, as well as workplace burnout. The sector is seeing a rise in physicians organizing, particularly residents, reflecting workplace and caseload strain.



MUNICIPAL CASE STUDY

AI Brings Opportunities & Challenges to Local Governments

Breckinridge's analysts met with management teams at five U.S. municipal bond issuers to discuss the opportunities and challenges of integrating AI into municipal operations.

Not *if* AI is implemented, but *when*.



AI Use Cases

As reported by *Governing* magazine in its Q1 2026 issue,¹ state and local governments are putting AI to work. For example, AI is used in:

01. Drawing on a library of historical data to create new contracts or contract extensions for review and completion by specialists.
02. Reviewing and transcribing body and dashboard camera recordings of arrests, relieving attorneys of a tedious and time-consuming task, while improving case clearance statistics.
03. Recording, translating, and publishing public meetings, which broadens access to public meetings for speakers of multiple languages in increasingly diverse city populations across the U.S.
04. Accelerating permitting processes by reviewing draft applications and highlighting steps permit seekers can take to meet regulatory requirements.

1. "How States and Localities Are Using AI," *Governing* Q1 2026, by Carl Smith, March 4, 2026.



For municipal management teams, the potential risks and potential return on investment (ROI) are overriding considerations. For example, in its *AI in Cities Report and Toolkit (November 13, 2024)*, the National League of Cities suggested starting with low-risk internal uses, creating governance frameworks before scaling, and targeting ROI that centers on productivity-plus-trust rather than labor cuts. The report stated that governance risks center on ethics, transparency, cybersecurity, and public trust, while ROI is framed as better services and staff efficiency, but only when cities build clear policies and leadership accountability first.

We engaged with a variety of municipal bond issuers including cities, an electric utility, a port authority, and a multi-service utility. During the discussions, we looked to enhance our understanding of the following:

- Overarching AI strategies, including current and potential uses in the next 5 to 10 years.
- Current and potential savings, including efficiency quantifications.
- Significant hurdles in AI implementation projects and strategies to overcome them.
- Managing privacy concerns.





Key findings from our engagement meetings included:

AN ELECTRIC UTILITY LOCATED IN THE SOUTHERN U.S.

AI powers a wildfire detection system using 360-degree cameras on cell phone towers, which scan a 437-mile service territory to spot smoke. Once detected, the system automatically notifies and provides precise location data to authorities. This early detection technology has proven effective in containing fires before they grow significantly.



AI early detection technology has proven effective in containing fires before they grow significantly.

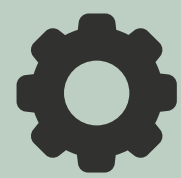
437 mi
AI-powered wildfire monitoring coverage

A COMBINED WATER, SEWER & ELECTRIC UTILITY

The utility is using AI to prevent and predict damage to underground infrastructure. In 2023, the utility paid fines due to hundreds of instances of damage to utility lines by third-party contractors. In response, the utility started using an AI system to assess contractor performance and assign a risk score. If an excavator previously damaged utility infrastructure, any new job permits associated with that excavation contractor will be assigned a higher risk score.

A PORT LOCATED IN A MAJOR NORTHEAST CITY

The authority acknowledges that it is in the initial stages of AI exploration. It expects AI to help employees become more productive rather than reduce headcount. A change in Enterprise Resource Planning technology is underway to take advantage of AI capabilities to improve processes and drive efficiency. From a governance perspective, potential AI-related changes are reviewed to ensure they meet criteria including cybersecurity standards and consideration of potential effect on other operations.



There is an expectation that AI will help employees become more productive rather than reduce headcount.

A CITY THAT IS A MAJOR INNOVATION HUB

The Breckinridge team concluded that this western city is a leader in AI use. Proximity to an information technology hub is integral to its focus on leveraging AI. Ten other cities have adopted the issuer's AI policy manual. The city divides AI uses into five focus areas, as shown below: 1) public safety; 2) housing/homelessness; 3) blight and beautification; 4) attracting investment in jobs; and 5) housing production. Numerous current use cases include speechwriting and grant writing, detection of potholes, graffiti, illegal dumping, homeless service needs, broken streetlights, optimizing bus routes, and real-time translation of public meetings.



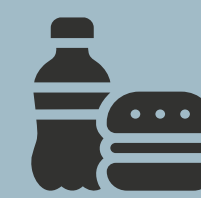


Corporate Bond Issuer Engagement

Breckinridge held over 100 engagements with corporate bond issuers in 2025. Our inquiries focused on the material credit and sustainability risks pertinent to the company.

100+

Engagements in 2025





Breckinridge's corporate engagement included these topics:

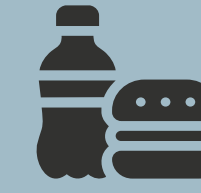


BANKING

Emissions Tied to Bank Lending and Financing

INVESTMENT RISK EXPOSURE:

A bank's lending and financing activities may create risk when the institution is not actively monitoring financed greenhouse-gas (GHG) emissions, which are the emissions generated by companies and projects that the bank funds. Financed emissions may expose banks to transition, regulatory, and reputational risks that can impact earnings and balance-sheet strength. As high-emitting issuers face rising compliance costs, carbon pricing, and market shifts, a bank could be subject to loan losses, as borrowers' business models weaken or assets become stranded.



FOOD & BEVERAGE

Managing Artificial Additives and Dyes

INVESTMENT RISK EXPOSURE:

Food and beverage companies that are marketing products made with artificial additives and dyes may be exposed to a rise in negative consumer sentiment and regulatory actions related to these ingredients. Risks to their businesses can include negative implications for brand value, regulatory compliance costs, product reformulation expenses, and ultimately revenue stability. Each of these factors is relevant to bondholder evaluations of a company's ability to meet future obligations.



BASIC MATERIALS

Social License to Operate (SLO)

INVESTMENT RISK EXPOSURE:

Operations within the basic materials sector are physically intensive, highly regulated, and deeply intertwined with community acceptance. Each of these operational characteristics can pose structural and persistent risks to the long-term sustainability of mining, metals, chemicals, and other resource-heavy subsectors. Basic materials companies depend on long-term access to land and minerals predicated on community trust. For bondholders, weak SLO increases the risk of production interruptions, cost overruns, and stranded capital, all of which undermine cash flow and debt-service capacity.



PHARMACEUTICALS

Access to Medicine Initiatives

INVESTMENT RISK EXPOSURE:

Access to medicine presents both business risk and strategic opportunity. When essential drugs are unaffordable or unavailable, risks such as pricing controls, penalties, or forced transparency increase. Inequitable access can erode brand trust and weaken market share, especially in emerging markets. Conversely, companies that proactively improve access may strengthen both their SLO and their long-term commercial prospects. For example, tiered pricing models and partnerships with governmental and non-governmental organizations can open new patient populations, while reducing political risk.



ENERGY & UTILITIES

Managing Financed Emissions and Transition Risk

INVESTMENT RISK EXPOSURE:

Breckinridge calculates the financed emissions in our corporate bond holdings to assess our overall firm-level exposure to climate transition risks.² For the past four years, we have engaged with the companies that represent our largest sources of emissions, which are typically in the utility and energy sectors. Companies with high emissions may face the greatest exposure to carbon pricing, regulation, technology shifts, and customer pressure. When they commit to reducing their emissions, companies can begin to lower their long-term regulatory and compliance risk, reduce the chance of sudden cost spikes or stranded assets, and shift capital spending toward cleaner, more efficient technologies that may improve operating margins over time. Breckinridge's annual engagements with companies provide deeper insight into their transition progress and encourage continued ambition.



RETAIL

Exposure and Management of Nature-Related Risk

INVESTMENT RISK EXPOSURE:

Retailers sit at the center of supply chains that are increasingly exposed to biodiversity loss, land-use constraints, and climate-driven disruptions. These exposures can translate into credit-relevant pressures. For example, deforestation, soil degradation, and water scarcity can disrupt agricultural and forestry inputs used in food, apparel, furniture, and construction materials. Retailers that are slow to adapt risk losing market share to competitors with stronger nature-positive credentials. Forward-thinking retailers are adopting regenerative farming and sustainable sourcing strategies to build more resilient supply chains.

² The Partnership for Carbon Accounting Financials (PCAF) defines financed emissions as the GHG emissions associated with a financial institution's investments and loans. Breckinridge follows the PCAF's guidance for calculating financed emissions for an investee company, which are then aggregated to measure the emissions for the corporate bond holdings in a portfolio.



OUTCOMES-BASED ENGAGEMENT:

Nature-Related Risks & the Retail Sector

As part of our engagement with retailers on nature-related risks, Breckinridge encouraged the companies to adopt the Task Force on Nature-Related Financial Disclosures (TNFD). If a retailer was already using the framework, we asked that they advance their ambition, such as by committing to avoiding or reducing nature loss.

As noted above, Breckinridge views nature and biodiversity as a material risk for the retail sector, especially in supply chains. We believe companies with exposure to nature-related risks should utilize the TNFD framework to report on their efforts to manage the risks and work toward sustainable, regenerative or circular solutions.

The five retailers we spoke with were at various stages of TNFD adoption. Of the five, two published TNFD-aligned reporting. One had started the process, looking first to identify and assess its risk exposure. The remaining two companies had no plans for TNFD reporting.

We appreciate that nature-related disclosure is a nascent practice. As the vice president of sustainability at a leading home-improvement retailer told us, "Nature is what climate and GHG measurement looked like 20 years ago. There is a need to move from the chunky crayon phase to scientific calculator phase" but progress takes time. We commend the TNFD-aligned companies for their proactive approach.



Breckinridge views nature and biodiversity as a material risk for the retail sector, especially in supply chains.

The five retailers we spoke with were at various stages of TNFD adoption:



2

No Plans
for TNFD Reporting



1

Started
the TNFD Reporting Process



2

Published
TNFD-Aligned Reporting



"Nature is what climate and GHG measurement looked like 20 years ago."





CORPORATE CASE STUDY

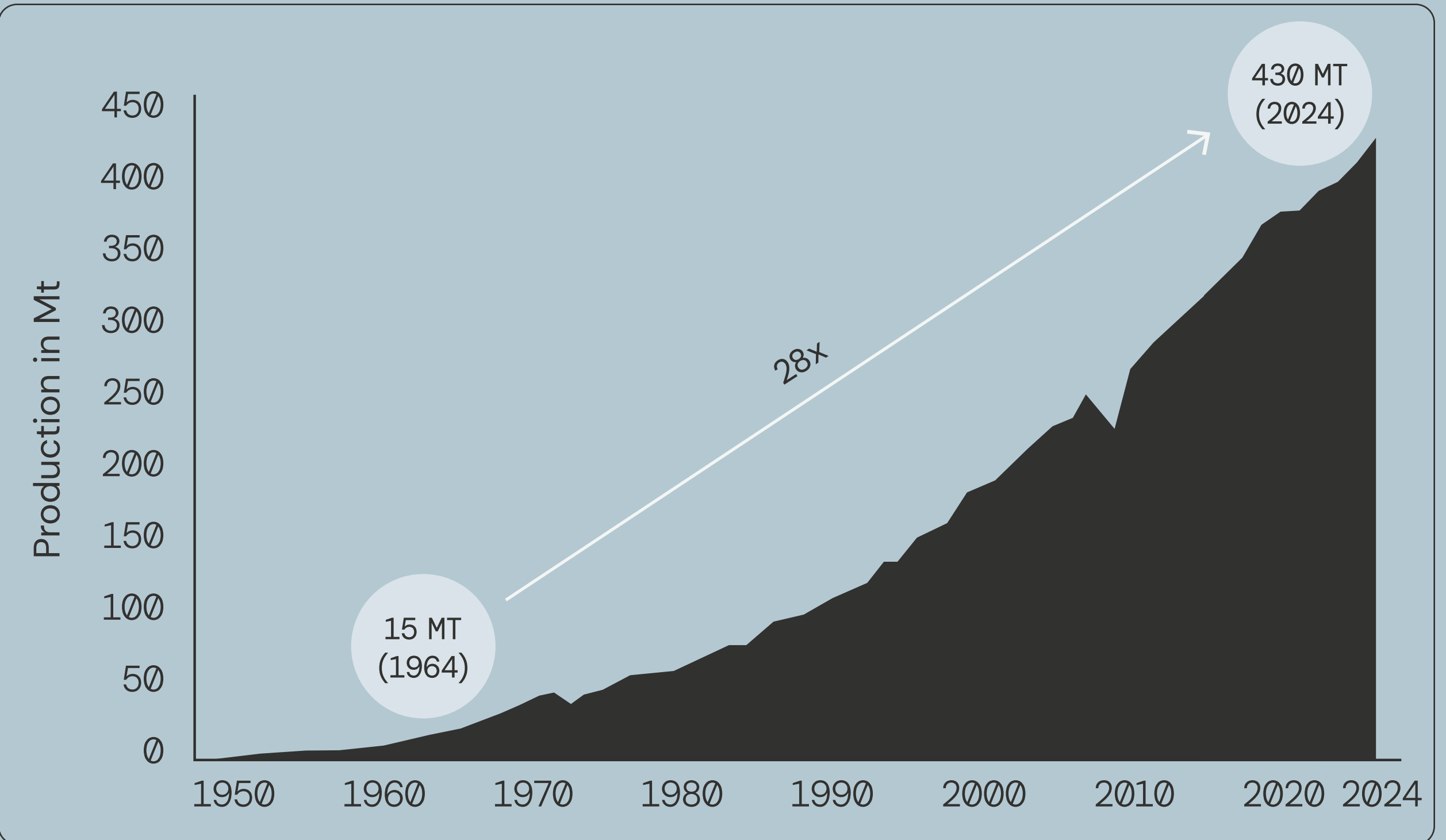
Plastic Packaging Waste

Plastic production has exploded since the early 1950s. Over time, the manufacturing of plastics has outpaced almost all other fabricated resources. Only a few materials, including steel and cement, have greater output rates.³ Overall, global plastics production surged by over 28 times from 1964 to 2024.

The growth is projected to continue. It is estimated that global plastic production could reach 902 million metric tons (MT) to 1,124 million MT by 2050, or approximately 2.0 to 2.5x the 2024 rate.

Driving the widespread adoption of plastic is its many important qualities. Plastic is inexpensive, versatile, durable, and sturdy.⁶ As a result, plastic is now used in countless ways and has become indispensable for many products. For example, plastic accounts for 50 percent of the volume of an automobile. Car makers are using plastic parts to reduce the weight of vehicles, thereby boosting fuel efficiency. Additionally, 85 percent of medical devices such as disposable syringes and medical tubing are made of plastic because it has the added advantage of “biocompatibility.”⁸

Growth in Global Plastics Production 1964–2050^{4,5}



Plastic production is projected to continue; it's indispensable for many products.

~2.5x

Estimated Global Plastic Production Rate by 2050 compared to 2024

50%

Volume of Automobiles are Plastic

85%

of Medical Devices are Made of Plastic

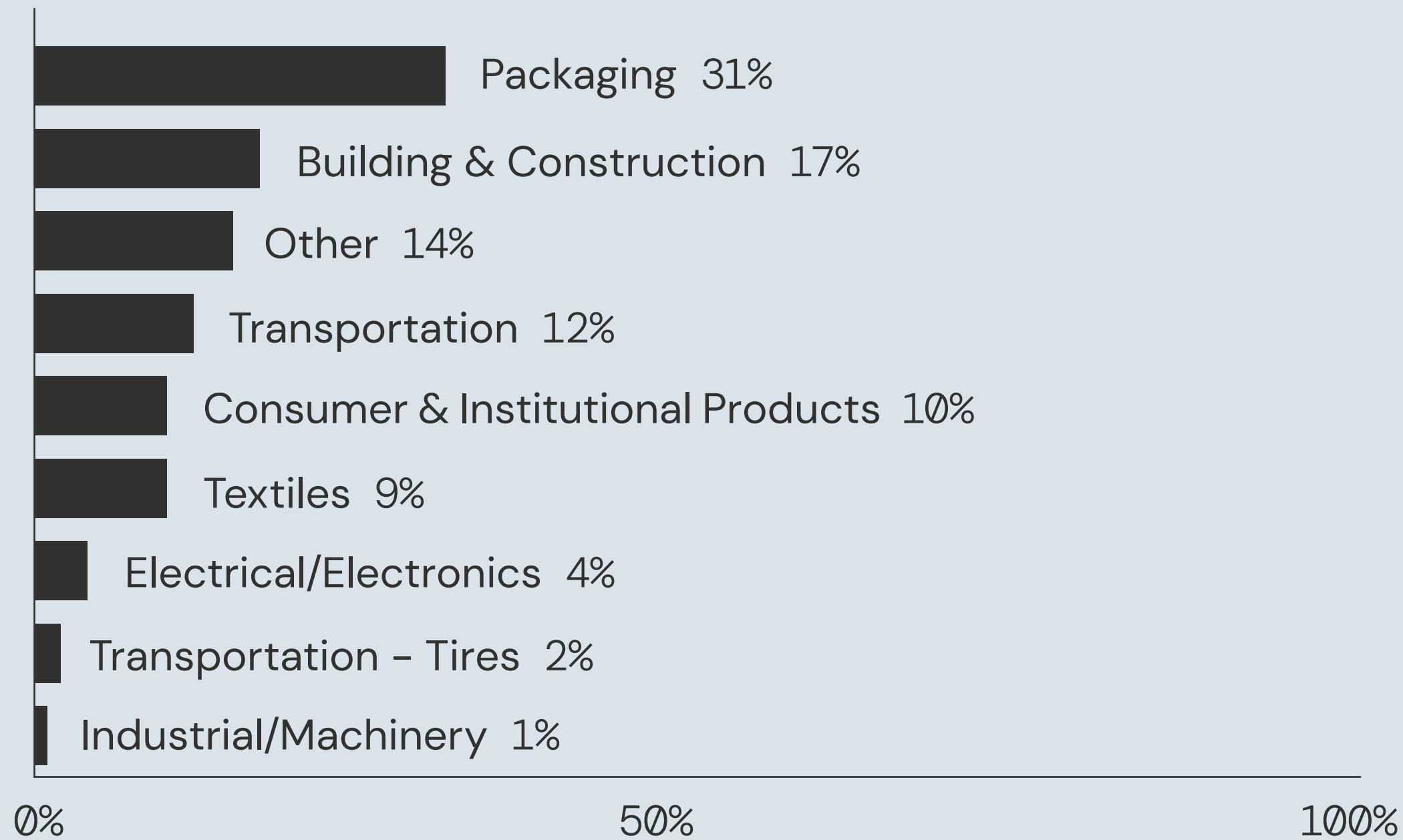
3. "Production, use and fate of all plastics ever made," *Science Advances*, 2017. Available [here](#).
 4. "The New Plastics Economy. Rethinking the Future of Plastics," Ellen MacArthur Foundation 2016. Available [here](#).
 5. "Plastics – the Facts, Various Years, including 2016," Plastics Europe, 2016. Available [here](#).
 6. "The New Plastics Economy. Rethinking the Future of Plastics," Ellen MacArthur Foundation, 2016.
 7. "Report: More Plastics Used in Automobiles, Improving Fuel Efficiency, Safety and Performance," American Chemistry Council, 2023. Available [here](#).
 8. "The world of plastic waste: A review," *Cleaner Materials*, 2024. Available [here](#).



The following is a summary of global plastic use by application.

Plastics Use by Application (as of 2019, Most Recent Available)

Source: OECD⁹



Due to its pervasiveness, slow rate of decay, and poor recycling infrastructure, plastic pollution has become a massive global problem. It is estimated that plastic can take 100 to 1,000 years to degrade.¹⁰ However, most plastic does not fully decompose and will persist in nature as microplastics. Additionally, according to a report from the Organization for Economic Co-operation and Development (OECD), only 9 percent of plastic was recycled worldwide in 2019, with the rate even lower in the U.S., at 5 percent.^{11,12}

9. "Plastics Use By Application," OECD Data Explore Archive, 2019. Available [here](#).

10. "Impacts of Plastic Pollution," U.S. Environmental Protection Agency, 2025. Available [here](#).

11. "Global Plastics Outlook, Economic Drivers, Environmental Impacts and Policy Options," OECD, 2023. Available [here](#).

12. "Quantification and evaluation of plastic waste in the United States," *Resources, Conservation and Recycling*, 2022. Available [here](#).

13. "Global Plastics Outlook, Economic Drivers, Environmental Impacts and Policy Options," OECD, 2023.

14. "52 million tons of plastic slips into the environment every year," *Chemical & Engineering News*, 2024.

As a result, it is estimated that plastic waste has more than doubled from 2000 to 2019. Most of the waste is either disposed of in a landfill (50 percent of total) or incinerated (19 percent), while only 9 percent is ultimately recycled. Another 22 percent of waste is discarded in unsupervised dumps, burned in waste sites, or ends up in nature.¹³ A 2024 study published in the journal *Nature* estimates this annual amount of unmanaged plastic waste at 52 million MT. For context, this figure represents approximately 12 percent of the annual plastic production of 430.9 MT in 2024.¹⁴



100 to 1000
Number of years it can take for plastic waste to degrade



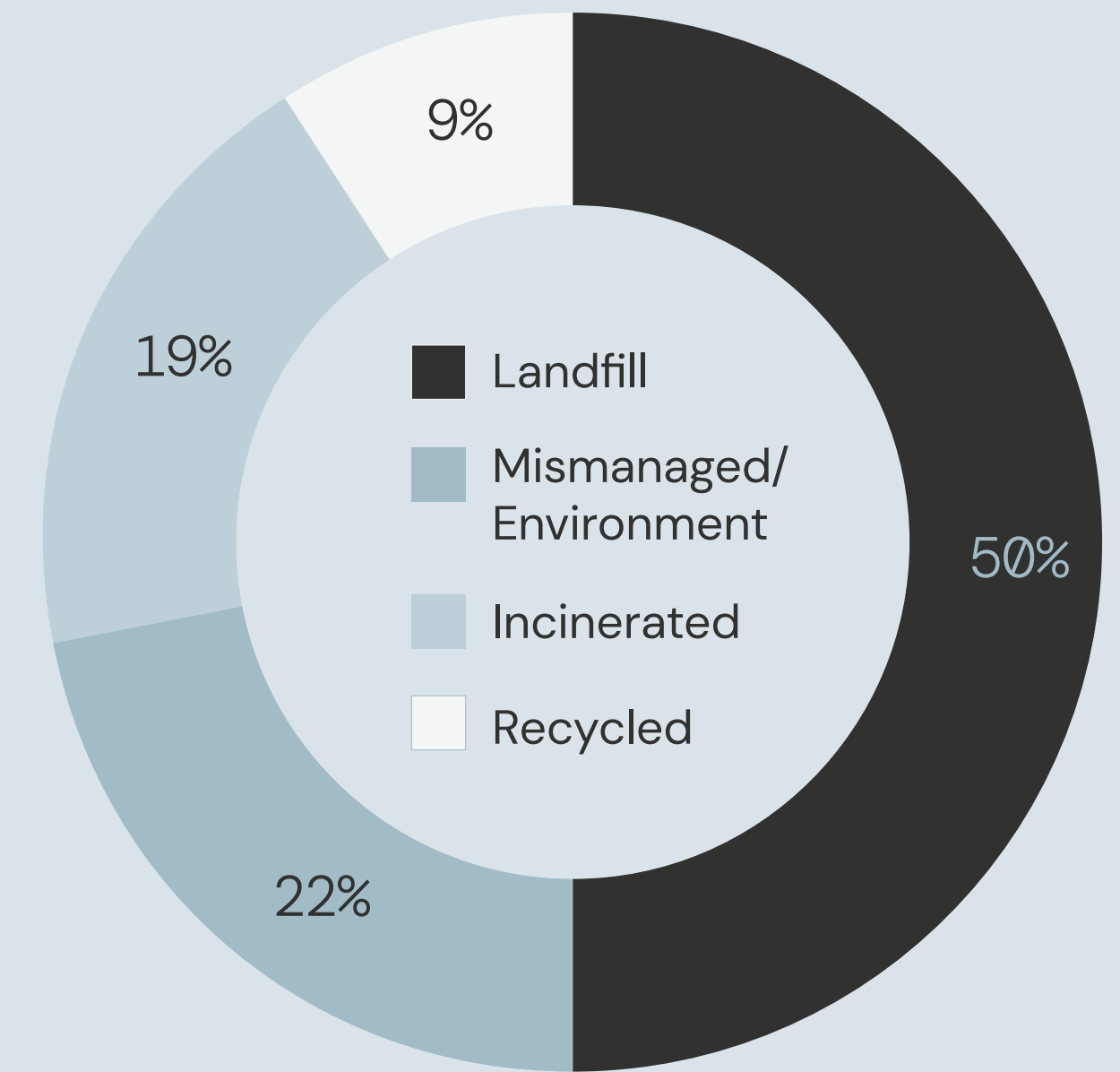
2x
Plastic Waste has Doubled from 2000 to 2019



46%
of Global Waste is Attributed to Plastic Packaging

Plastic Waste Outcomes

How Plastic Disposed:





PLASTIC PACKAGING WASTE

Over time, the broadening use of plastic for packaging for food, consumer products, and other applications spread its reach across the economy. Approximately 31 percent of total plastic production was for packaging in 2019, up from 17 percent to 25 percent in the 2000 to 2015 timeframe.¹⁵ The UN Environment Program (UNEP) estimates that packaging rose to 36 percent of total plastics output in 2023.¹⁶

Due to its widespread use, many of which are designed for single use and short lifespans, plastic packaging is the largest contributor to the global waste problem. The UNEP estimates its total at 46 percent of total plastic pollution, followed by textiles at 15 percent.¹⁷

EXTENDED PRODUCER RESPONSIBILITY (EPR) LAWS

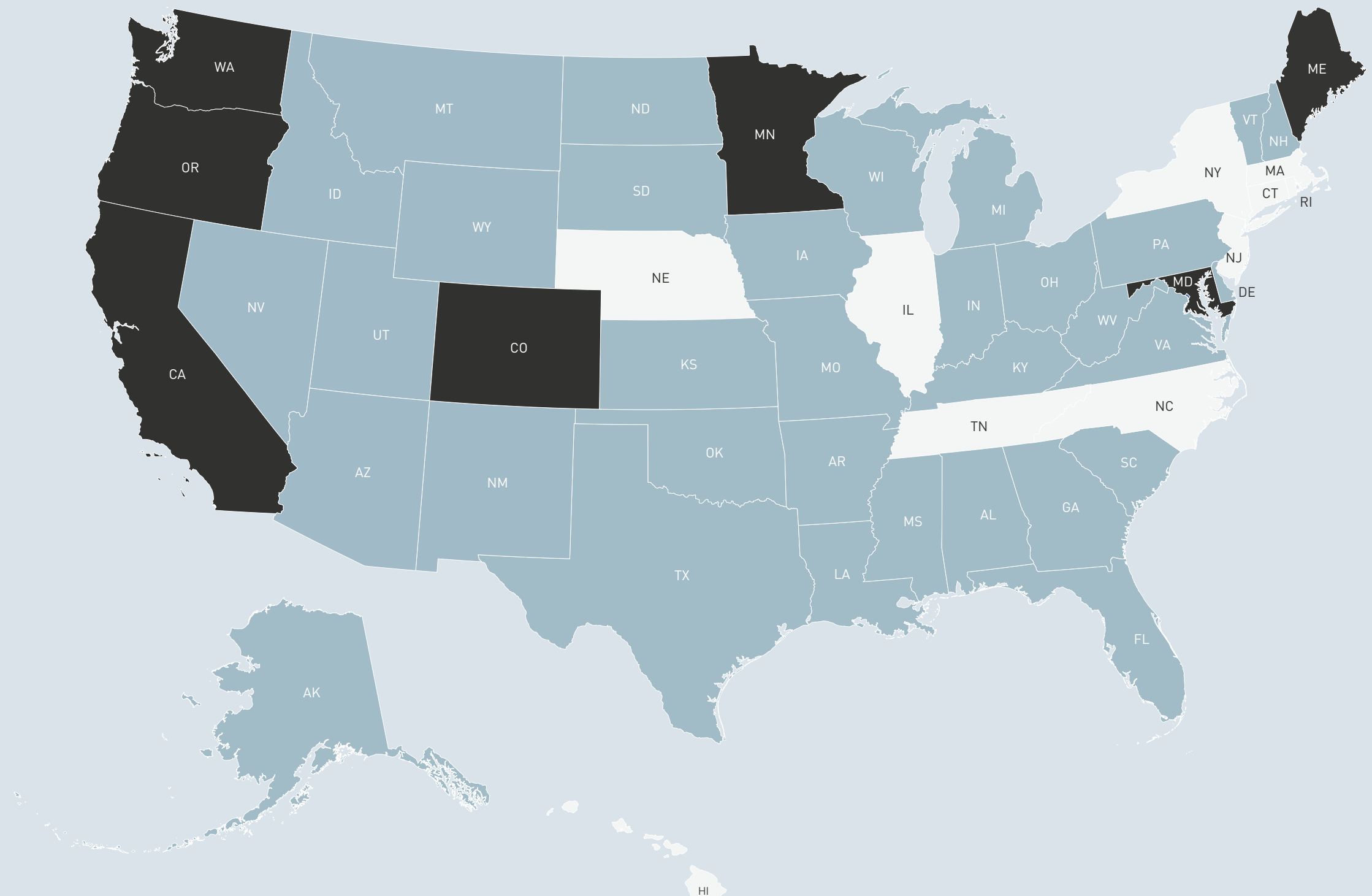
The persistent pollution problem, exacerbated by plastic packaging, is spurring regulatory action in the U.S. Under EPR laws, producers become responsible for the end-of-life of their products, including packaging waste.

Every EPR law seeks to address pollution from plastic packaging. For example, Oregon’s Plastic Pollution and Recycling Modernization Act requires producers to pay fees commensurate with the environmental impact of their packaging. The fees help fund improvements in recycling infrastructure, including plastic packaging.

The rapid spread of EPR laws has created compliance challenges for companies operating across states in the U.S. The laws are not uniform and are marked by differing implementation timeframes, in-scope packaging, and fee arrangements.¹⁸ A few of the retailers we engaged with about the management of plastic packaging waste highlighted the difficulty of adhering to the rapid expansion of EPR legislation. The Director of Responsible Sourcing at a leading chain of general merchandise stores noted that EPR laws need harmonization and that the first laws were like comparing apples and oranges. Now, state legislators are reviewing existing laws when developing their own. As a result, recent laws are more akin to different types of apples, which makes compliance easier for companies. States with existing EPR laws account for over 20 percent of the population across seven states. If all 10 states considering EPR laws pass legislation, 40 percent of the U.S. population would fall under EPR laws.^{19,20}

15. “The New Plastics Economy. Rethinking the Future of Plastics,” Ellen MacArthur Foundation, 2016.
 16. “Everything you need to know about plastic pollution,” UN Environmental Program, 2023. Available [here](#).
 17. “Plastics Science,” United Nations Environment Program. 2022. Available [here](#).
 18. “Packaging responsibility: What your company should know about EPR packaging laws,” PWC, 2025.
 19. “10 States To Watch For New Packaging EPR Laws in 2026,” Promotional Products Association International (PPAI), 2026. Available [here](#).
 20. “NAW Considering Legal Challenge to Extended Producer Responsibility Laws,” Foodservice Equipment Distributors Association (FEDA), 2025. Available [here](#).

Seven States have Active EPR Packaging Regulations and 10 more are under consideration:



■ Packaging EPR Laws
 □ Packaging EPR Legislation Introduced in 2023



Engagements on Management & Reduction of Plastic Waste

In 2025, Breckinridge engaged with companies in the retail and chemicals sectors on plastic waste.

RETAILERS & PLASTIC PACKAGING

The leading U.S. retailers we spoke with are working in different ways to reduce the amount of plastic used in product packaging. A major ecommerce company ended the use of plastic air pillows that protect products within a cardboard box and now uses paper as a filler. It also started to shift from hard-to-recycle plastic padded packages to paper bags. Another retailer is making progress in certain categories. For example, in sporting goods packaging, they converted to paperboard for certain uses. In a creative move, it now prints the inventory bar code directly on a basketball, thereby avoiding packaging altogether.

CHEMICAL COMPANIES & CHEMICAL RECYCLING

Certain chemical companies in our investable universe are pressing forward with chemical recycling technology as a way to address the plastic waste problem. Also known as advanced or molecular recycling, chemical recycling involves breaking down plastic waste into its molecular components, which can then be used to create new plastics.²¹



21. "Chemical recycling plants are on the rise. What does it mean for MRF operators?" *WasteDive*, 2024 Available [here](#).



There are multiple forms of chemical recycling but the two most prevalent methods are solvolysis and pyrolysis. The two approaches are summarized in table below. Each process has different outputs and emissions profiles. Solvolysis is the more energy/emissions-efficient method of production, with the potential to achieve a similar environmental footprint as paper-based packaging, assuming a closed-loop cycle (continuously recycled). Pyrolysis produces significant hazardous waste as a byproduct.²⁸

One company we engaged with in the past noted that it was looking to build out the chemical recycling technology in the early 2010s. However, it was clear at the time that customers were not willing to pay a premium for plastics made of recycled material. Company officials told us that “the world is different now in how people think about waste plastic. People view it as a crisis now. So today, customers want recycled products and will pay a premium for it.”

Another chemical company we engaged with has an ambition to produce 6.6 billion pounds of recycled plastic by 2030. To help achieve this goal, the company is opening its first chemical facility in the U.S. in 2027.

As of 2025, there were nine active chemical recycling facilities in the U.S. In addition, three are under construction with 38 in the planning phase.²⁹ The surge of interest reflects the massive plastic waste pollution problem described above. Benefits of the process include its ability to process hard-to-recycle plastics, and reducing the need for new natural gas liquids used as feedstock for plastics production. Chemical recycling can also create resin for many plastic applications, including food-grade packaging. Finally, chemical recycling may help companies comply with EPR regulations.

There are multiple criticisms of chemical recycling. Criticisms include the fact that it is being promoted as a solution, but the level of production is currently small in relation to the plastic waste problem. In addition, it can be challenging to scale the technology without adequate customer demand or government support, as recycled content must be priced at a premium relative to virgin plastics for the economics to work.

Chemical Recycling Method	How it Works	Main Feedstocks	Common Products Recycled	Share of U.S. Facilities	Outputs/Environmental Profile
Pyrolysis	Heats plastic in a zero-oxygen environment to produce pyrolysis oil, which is then used to make new plastic ²²	Polyethylene (PE) and polypropylene (PP), also known as olefins	Plastic bags, bottles, syringes ²³	Used in ~80% of existing and planned U.S. chemical recycling facilities ²⁴	Produces pyrolysis oil for new plastics, but also generates significant hazardous waste as a byproduct ²⁵
Solvolysis	Uses a solvent to break plastic down into its molecular components for reuse in new plastic production ²⁶	PET (polyethylene terephthalate) ²⁷	Soda bottles, clear plastic packaging, and polyester packaging/textiles	Smaller share of facilities compared to pyrolysis	More energy- and emissions-efficient; can achieve an environmental footprint similar to paper-based packaging in a closed-loop recycling system

22. “Chemical Recycling,” West Virginia University, 2024. Available [here](#).

23. “Chemical Recycling Types: Advantages and Disadvantages,” Gerson Lehrman Group, Inc. (GLG), 2022. Available [here](#).

24. “‘Chemical Recycling’ is a Toxic Trap,” Natural Resources Defense Council (NRDC), 2025. Available [here](#).

25. “‘Chemical Recycling’ is a Toxic Trap,” NRDC, 2025. Available [here](#).

26. “Is solvolysis the key to advanced recycling of plastics?” *Environmental Technology*, 2024. Available [here](#).

27. “Chemical Recycling Types: Advantages and Disadvantages,” GLG, 2022. Available [here](#).

28. “Chemical Recycling” is a Trap. NRDC, 2025. Available [here](#).

29. “Factsheet Chemical Recycling,” *Oil & Gas Watch*, 2025. Available [here](#).



2025 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, emphasizing sustainable investments, as identified by our investment team.

Because we believe 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 and in the best interests of our clients. We consider both the short and long-term implications of the proposal to be voted on when determining the optimal vote.

Proxy voting is managed by our Proxy Committee (PC), which is chaired by our Director, Sustainable Research and comprises members from our research and client relations teams. The head of corporate research and the Chief Compliance Officer 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 accounts for which clients have accorded us voting authority. Our guidelines reflect our investment philosophy and approach to integrating material sustainability factors. We also leverage the research of our third-party voting service provider, Glass Lewis.

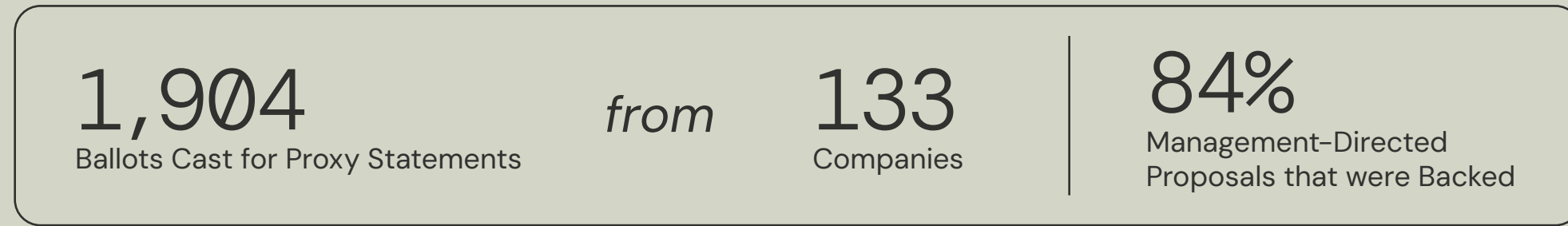
When Breckinridge reviews a shareholder proposal, we consider three criteria:

01. The materiality of the issue being addressed to the company's core business
02. The quality of management's oversight of material sustainability risks
03. 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 to support it.



How Breckinridge Voted in 2025:



In 2025, we backed a majority (84 percent) of management-directed proposals. As in 2024, these were largely related to the re-election of board members and votes on executive compensation. We also did not support the election of certain board members. For instance, Breckinridge will not vote for the re-election of the board chair for a company that is:

01. not a signatory or participant in the United Nations Global Compact (UNGC); or
02. has not adopted a human rights policy that is aligned with the standards set forth by the International Labour Organization (ILO) or the Universal Declaration on Human Rights (UDHR).

We believe support of these globally recognized standards for sustainability and human rights are important signals of sound corporate governance and risk management practices.

Breckinridge’s support of shareholder-led proposals was divided in 2025. We voted in favor of proposals that requested the disclosure of the energy supply financing ratio at major banks, publication of a report on plastic production and packaging at a leading retailer, and designation of an independent board chair at a large U.S. homebuilder. Breckinridge voted against several shareholder proposals that, based on our determination, addressed a non-material issue for the company.

Votes Cast in 2025 – For or Against Management’s Recommendation

Type	Management	Shareholder	Total
For	1,455	83	1,538
Against	296	70	366
Total	1,751	153	1,904

Votes Cast in 2025 – For or Against the Proposal

Proposal Category Type	For	Against	Total
Management			
Audit/Financials	34	103	137
Board Related	1,268	147	1,415
Compensation	130	33	163
Other	35	1	36
Total	1,467	284	1,751
Shareholder			
Compensation	6	9	15
Environment	13	16	29
Social	17	46	63
Governance	31	10	41
Miscellaneous	2	3	5
Total	69	84	153

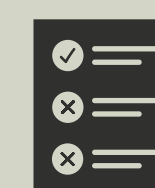
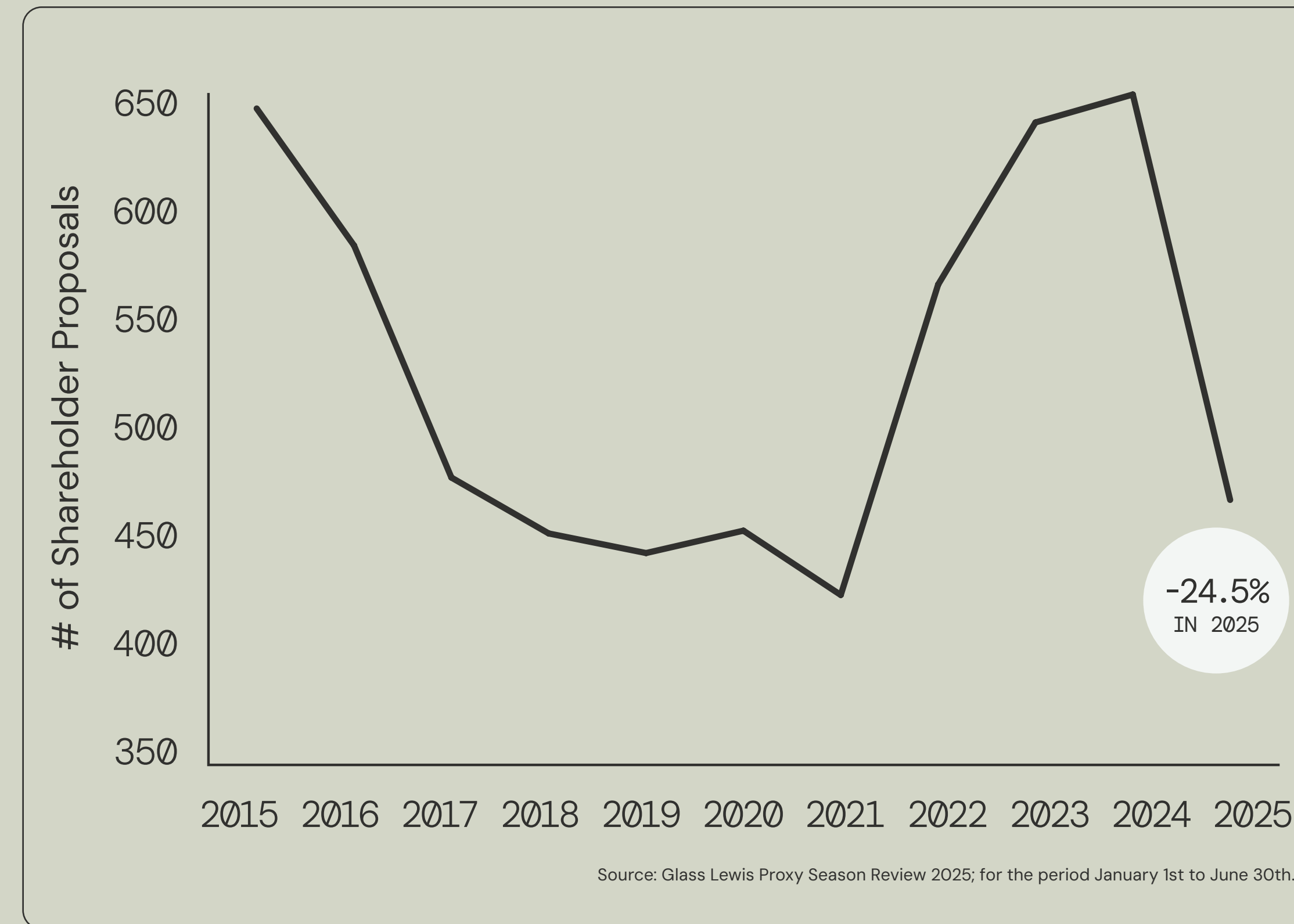


Decrease in Environmental & Social Shareholder Proposals

After reaching a peak in 2024, the number of environmental and social proposals from shareholders decreased by 24.5 percent in 2025.

SHAREHOLDER PROPOSALS REVIEWED BY GLASS LEWIS DURING PROXY SEASON

The number of governance and compensation-related resolutions remained relatively flat in 2025 compared to 2024. The decrease is primarily attributed to a reduction in environmental and social proposals. Additionally, only governance proposals received majority shareholder support (greater than 50 percent of votes) in 2025. This represents a significant change from previous years, as proposals supported by most shareholders were more evenly shared across environmental, social, and governance categories.



The shift in sentiment for environmental and social proposals was driven by several factors, including the changing political environment in the U.S. and the belief that proposals have become more ambitious (and therefore more challenging to earn votes from shareholders) because companies have improved their sustainability performance over time.³⁰

30. "Proxy season by the numbers: What 2025 filings tell us about investor priorities," Principles for Responsible Investment, August 28, 2025. Available [here](#).



CASE STUDY


Report on the Assessment of Non-Sugar Sweetener Risks

In 2025, shareholders filed proposals at two large U.S. beverage companies.

The proposals called on the companies to complete and publish third-party assessments of their use of non-sugar sweeteners (NSS). The companies developed low- or no-sugar beverages by replacing sugar with NSSs like aspartame. Customers may choose these products as healthier alternatives to traditional soda. However, the resolutions' proponents referenced scientific research that highlighted the potential human-health risks associated with NSS consumption.

The boards of directors at both companies recommended that shareholders reject the proposals. They noted how food additives including NSS are highly regulated and that aspartame and NSS are integral to their strategies to reduce the sugar content in the products. We also considered Glass Lewis' perspective on existing disclosures from the companies as sufficient.

Breckinridge reviewed the proposals and evaluated them using the three criteria highlighted above. We decided that proponents' requests were reasonable and addressed an issue that could be financially material to both companies. Consumer perceptions of what is healthy in food and beverage products have shifted dramatically over the past decade. NSS could be scrutinized by regulators, which could have a meaningful financial impact should a replacement for aspartame be necessary. It is also expected that the cost of producing the reports would be minimal for the companies. As a result, we voted in favor of the proposals.³¹



Consumer perceptions of what is healthy in food and beverage products have shifted dramatically over the past decade.



31. 37% of shareholders voted in favor the resolution.



Conclusion

Our 2025 Engagement and Proxy Voting Report illustrates our proactive efforts to augment our security research with direct discussions with bond issuers and to fulfill our responsibility to shareholders invested in our equity strategies by thoughtfully executing proxy votes on their behalf.

Importantly, insights gained from these activities served as a jumping off point for subsequent research and engagements. Discussions with issuers have prompted new thought leadership pieces to help inform clients, and our research is informing 2026 engagements across multiple industries. Overall, we value the role engagement and proxy voting play as consistent and informative contributors to our research.

We hope you enjoyed reading our 2025 report. To learn more, please do not hesitate to contact our Client Relations team (cr@breckinridge.com).





DISCLOSURES

BCAI-05182026-1sxgnbr8 (5/21/2026)

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Other events that were not considered in formulating such projections could occur and may significantly affect the outcome, returns or performance.

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All investments involve risk, including loss of principal. No investment or risk management strategy, including diversification, can guarantee positive results or risk elimination in any market. Periods of elevated market volatility can significantly impact the value of securities. Investors should consult with their advisors to understand how these risks may affect their portfolios and to develop a strategy that aligns with their financial goals and risk tolerances. Fixed income investments have varying degrees of credit risk, interest rate risk, default risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa.

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.