

# Sustainable Investing Policy

## Our Approach

Breckinridge utilizes sustainability data in our investment process in two ways: (1) we integrate material sustainability factors into our fundamental research process to help us assess credit quality and price risk, and (2) we offer thematic investing solutions and portfolio customizations based on proprietary sustainability ratings or specific factors.

### (1) SUSTAINABLE FACTOR INTEGRATION PROCESS:

Breckinridge integrates material sustainability factors into our fundamental credit research process to help us assess and price credit risk of issuers. This approach allows our analysts to gather and evaluate diverse pieces of information to formulate a comprehensive investment thesis.

**Establish materiality of factors:** Breckinridge's research team selects sustainability factors based on their investment-decision usefulness. A factor is considered material if it can influence our credit opinion or impact a security's valuation. The degree of materiality for any one sustainable factor may change over time, depending on the macro environment or sector-specific trends.

**Assess sustainability factor risks:** Sustainability factors have different weightings to reflect their degree of investment-relevance. Weightings are updated periodically, reflecting the long-term nature of most sustainability-related risks. For certain sectors, we assign a proprietary sustainability rating to each bond that we purchase. This assessment may also encapsulate other relevant information that an analyst deems to be investment-decision useful, including dialogue with management teams. For other sectors, the sustainability assessment consists of a proprietary climate risk score.

The intention of engaging independently with companies, municipalities, and other issuers is to:

- Deepen our understanding of credit issues and material sustainability risks and opportunities for issuers, industries, and sectors;
- Provide an idea generation platform for our investment team; and
- Encourage disclosure of material sustainability factors and/or progress in managing material sustainability risks.

**Incorporate into comprehensive credit opinion:** Like any other credit input, a sustainability assessment will have a varying degree of impact on a final credit rating. It represents one element of an overall credit review. Also, the directional relationship between a sustainability analysis and credit assessment is not always positive. A sustainability rating can go up while the overall credit assessment falls, and vice versa. We do not divest from sectors based on sustainability factors, unless directed to do so by a client.

Additional considerations: Individual factors or sustainability assessments may flow through to portfolio construction and trade execution in several other ways, including by:

1. Highlighting risks that may influence security pricing;
2. Managing portfolio position size; and
3. Managing portfolio position maturity/duration.

### (2) CLIENT-DIRECTED THEMATIC SOLUTIONS & CUSTOMIZATIONS

Breckinridge can also utilize sustainability factors to determine portfolio eligibility and/or a security's weighting, driven by client-directed requests.

Thematic solutions and portfolio customizations include:

- 1. Best-in-class sustainability profiles:** Targets credits with better sustainability profiles determined by Breckinridge
- 2. Other Thematic Solutions:** Targets investments in themes that match client desired factor exposures and/or organizational mission.
- 3. Portfolio Customizations:** Targets or excludes securities in alignment with client values or mission-based objectives.