

MARCH 2020

ESG AND ENGAGEMENT POLICIES

ESG POLICY

Driven by our investment research team, Breckinridge integrates material environmental, social and governance (ESG) issues to identify and assess long-term and idiosyncratic risks. Our belief is that thoughtful and forward-looking assessment of risk would be incomplete without the inclusion of material ESG factors. We also believe ESG factors can provide useful insights into the character and caliber of management.

As part of our approach, analysts consider the output from quantitatively based sector-specific ESG frameworks as well as internal and external qualitative research, enhanced by our engagement efforts, when assigning a sustainability rating on bond issuers. The sustainability rating may influence our analysts' fundamental credit opinion on the issuer, which could affect security selection and portfolio positioning.

While our analysis of an issuer's creditworthiness begins with fundamental bottom-up research, we believe evaluating ESG information and trends provides a broader, more forward-looking assessment of potential risks that may not be reflected in the market. Therefore, we believe bond issuers scoring highly in our proprietary ESG research process are better prepared to meet future challenges and take advantage of new opportunities.

ENGAGEMENT POLICY

At Breckinridge, we believe engagement provides us with an opportunity to gain a deeper understanding of ESG matters pertaining to an industry, sector or an issuer. Our approach to engagement is to have direct conversations with issuer management teams. In this way, we look to:

- Gain a better understanding of the issuer, industry or sector's, ESG profiles, material issues, opportunities and risks;
- Provide an idea generation platform for our analysts; and
- Encourage the transparent reporting of material ESG issues, as we believe improved disclosure enhances our ESG analysis to the benefit of our clients.