Engagement Practices at SKY Harbor

Overview
Engagement with portfolio companies is an important pillar of being an active investment manager and a responsible steward of capital. While dedicated fixed income investors like SKY Harbor have historically played a lesser role in engagement with companies, to the extent that we cannot vote proxies or submit shareholder proposals, we as bondholders are committing to increase our communications with companies on topics relating to sustainability and environmental, social and corporate management, reflecting our belief that these issues are important potential risk and performance indicators.

Since formalizing our approach to ESG Integration in 2015, SKY Harbor continues to enhance its engagement and stewardship practices to align with our mission to be active participants in the advancement of responsible investing and to reflect asset owners’ investment objectives as they relate to broader sustainability goals.

Individual Engagement
SKY Harbor analysts perform regular due diligence on companies in our investment universe as part of our fundamental credit research process. This due diligence often includes seeking more information from a company about specific areas of, or perhaps disruptions to, its business. Individual engagements have historically been prompted by lack of information, as transparency and disclosure of non-financial ESG information by high yield issuers has lagged investment grade or large equity issuer peers. Increasingly, decisions to engage with a company may derive from our desire for transparency around metrics associated with our proprietary Value Rubric. This Value Rubric is designed to weight specific criteria that we have chosen to emphasize in a portfolio. After a company is flagged for engagement by a portfolio manager or sector analyst, communication is initiated and updates are tracked in our proprietary research database and accessible to the full investment team to inform decision making for all portfolios. We do not have a separate engagements team for this reason and believe the direct involvement of analysts and portfolio managers in the engagement process is fundamental to an integrated approach.

In general, topics or specific issues that may be addressed in a typical ESG-motivated engagement are as follows:

<table>
<thead>
<tr>
<th>Transparency and Disclosure</th>
<th>If ESG data or material ESG accounting metrics (determined using the SASB standards) are not currently disclosed, does the company plan to measure and disclose in the future?</th>
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<tbody>
<tr>
<td>Due Diligence</td>
<td>Gain general understanding of a company’s ESG strategy or long-term management of ESG risks and/or opportunities.</td>
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<tr>
<td>UN Global Compact alignment</td>
<td>Does the company commit to the UN Global Compact or in some way address the Ten Principles on Human Rights, Labor, Environment, and Anti-Corruption?</td>
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<td>Sustainable Development Goals (SDGs) alignment</td>
<td>Does the company, through its products and/or services align with or in some way contribute to the seventeen SDGs?</td>
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<td>Diversity and Inclusion</td>
<td>Does the company have a policy with respect to diversity and inclusion? Does the company’s board or senior management reflect diversity and inclusion in practice?</td>
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<td>Climate Change</td>
<td>Does the company acknowledge climate change as a significant issue for the business? Is the company a supporter of the TCFD?</td>
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Monitoring and Evaluation
Once an engagement has been initiated, ongoing monitoring and reporting is the responsibility of the sector analyst and the ESG Portfolio Analyst. If a communication fails to receive a response from the company within a time frame set on a case by case basis, the engagement may be re-initiated with the company. As engagements vary in nature, time frame and scale, there are a range of possible outcomes. We are cautious about ascribing specific levels of success or failure to engagements due to these variables, as approaches are determined on a case-by-case basis. That said, if no progress is
made on an engagement initiative, for example, if a company repeatedly fails to respond, rejects the opportunity for a dialogue or shows no commitment to improve upon the items under consideration, absent any overriding considerations we may either propose joining a collective engagement effort with like-minded investors, or we may consider divestment over time. The latter case is less preferred, because we believe it is important to keep a seat at the table to remain an active participate in shaping sustainable financial systems and markets.

Collective Engagement
To broaden our reach and leverage the growing collaboration within the investment management community, SKY Harbor systematically participates in collective engagements through coalitions and network organizations, for example, the Principles for Responsible Investment (PRI) and the Thirty Percent Coalition. In these instances, engagement topics, questions and procedure are managed by the lead network organization. Our decision to participate is directed by, but not limited to, materiality to high yield issuers, overlap with our issuer universe and potential for positive impact. It may also be the case that a decision to participate in a larger collective engagement is the result of unsuccessful dialogue with an issuer on a topic, whereby the engagement is escalated to include other investors. Collective engagements often extend for long periods and are monitored by SKY Harbor’s dedicated ESG Portfolio Analyst.

Examples of SKY Harbor participation in collective engagements to date include:
1. Statement on ESG in Credit Ratings (PRI)
2. Climate Change Transition for Oil & Gas (PRI)
3. Gender Diversity on Corporate Boards (Thirty Percent Coalition)
4. Letter to G20 Leaders on Paris Agreement (PRI)

Scope
Engagement practices apply to all SKY Harbor portfolios and investment strategies, and it is the responsibility of sector analysts and dedicated ESG Portfolio Analyst to tailor questions for individual companies on discrete ESG topics. In cases where an issuer has been assessed for a dedicated ESG strategy, an engagement may be initiated on the basis of underperformance relative to a set of comparable companies or if an analyst deems a company’s lack of sustainability best practices to be misaligned with the company’s strong fundamental characteristics.

Measurement
For dedicated ESG strategies at SKY Harbor, we expect engagement to be one means of improving key ESG metrics for the portfolio and universe of high yield issuers over time. We intend to report on our engagement progress from time to time with the goal of identifying how specific ESG criteria may correspond to different performance outcomes.

Proxy Voting
SKY Harbor’s authority to vote proxies for its clients is established by its investment management agreements or comparable documents. Because SKY Harbor primarily invests in debt securities, the Firm does not normally receive proxy proposals with respect to most of its managed accounts. On occasions when holders of debt securities may be asked to vote (e.g., a corporate restructuring) or for an account in which SKY Harbor invests in a limited number of equity securities, SKY Harbor has established proxy voting policies and procedures that are administered by the Chief Compliance Officer and the Operations team that are designed to ensure that proxies are voted in the best interest of our clients. SKY Harbor’s approach to proxy voting is published in the Firm’s ADV Brochure.

Disclosure
We intend to share our ongoing engagement efforts with key stakeholders through client or prospective investor presentations and other communications, specifically as they relate to the ongoing portfolio management of any dedicated ESG strategy managed by SKY Harbor.
Important Disclosures and Disclaimers

SKY Harbor Capital Management, LLC ("SKY Harbor") provides this document for informational purposes only. The information herein is intended solely for the person to whom it has been delivered. Nothing contained in this document is or should be construed as an advertisement, or an offer to enter any contract, investment advisory agreement, a recommendation to buy or sell securities of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle, or derivative.

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Investing in securities involves risk of loss and past performance is not necessarily indicative of future results. Fixed income securities, especially high yield debt securities, are subject to loss of income and principal arising from credit risk, which is the risk that the issuer will be unable to make interest and principal payments when due. Material risks in investing in high yield debt securities also include, but are not limited to, opportunity cost (the risk that an issuer’s credit trends deteriorate resulting in a higher level of compensation demanded by the market relative to the initial investment), interest rate risk, liquidity risk, selection risk, and overall market risk. In general, issuers of high yield debt securities have a greater likelihood of defaulting on the payment of interest or principal than issuers of investment grade bonds. There can be no assurance that the investment objectives described herein will be achieved or that substantial losses can be avoided.

SKY Harbor is not a tax or legal advisor. Prospective investors should consult their tax or legal advisors before making tax-related investment decisions.

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