

Angel Oak Capital (Angel Oak Capital Advisors, LLC and Angel Oak Canopy Partners, LLC)

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	✓	Private							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	✓	Private							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	✓	Public							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	🔒	n/a							✓
OO PE 01	Breakdown of private equity investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership in private equity investments	🔒	n/a							✓
OO PR 01	Breakdown of property investments	🔒	n/a							✓
OO PR 02	Breakdown of property assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure sectors	🔒	n/a							✓
OO HF 01	Breakdown of hedge funds investments by strategies	🔒	n/a							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Private							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	🔒	n/a	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		🔒	n/a							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	Private							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Private							✓
SG 19	Communication	✓	Public		✓				✓	
SG End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Percentage of each incorporation strategy	✓	Public	✓						
LEI 02	Type of ESG information used in investment decision	✓	Private	✓						
LEI 03	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 04	Types of screening applied	✓	Public	✓						
LEI 05	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 06	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 07	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 08	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 09	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 10	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 11	ESG issues in index construction	🔒	n/a	✓						
LEI 12	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 13	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Role in engagement process	✓	Public		✓		✓			
LEA 07	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 08	Tracking number of engagements	✓	Public		✓					
LEA 09	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 10	Engagement methods	✓	Private		✓					
LEA 11	Examples of ESG engagements	✓	Private		✓					
LEA 12	Typical approach to (proxy) voting decisions	🔒	n/a		✓					
LEA 13	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 14	Securities lending programme	🔒	n/a		✓					
LEA 15	Informing companies of the rationale of abstaining/voting against management	🔒	n/a		✓					
LEA 16	Informing companies of the rationale of abstaining/voting against management	🔒	n/a		✓					
LEA 17	Percentage of (proxy) votes cast	🔒	n/a		✓					
LEA 18	Proportion of ballot items that were for/against/abstentions	🔒	n/a		✓					
LEA 19	Proportion of ballot items that were for/against/abstentions	🔒	n/a		✓					
LEA 20	Shareholder resolutions	🔒	n/a		✓					
LEA 21	Examples of (proxy) voting activities	🔒	n/a		✓					
LEA End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Incorporation strategies applied	✓	Public	✓						
FI 02	ESG issues and issuer research	✓	Private	✓						
FI 03	Processes to ensure analysis is robust	✓	Public	✓						
FI 04	Types of screening applied	✓	Public	✓						
FI 05	Examples of ESG factors in screening process	✓	Private	✓						
FI 06	Screening - ensuring criteria are met	✓	Public	✓						
FI 07	Thematic investing - overview	✓	Private	✓						
FI 08	Thematic investing - themed bond processes	✓	Public	✓						
FI 09	Thematic investing - assessing impact	✓	Public	✓						
FI 10	Integration overview	✓	Public	✓						
FI 11	Integration - ESG information in investment processes	✓	Public	✓						
FI 12	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 13	ESG incorporation in passive funds	🔒	n/a	✓						
FI 14	Engagement overview and coverage	🔒	n/a		✓					
FI 15	Engagement method	🔒	n/a	✓	✓					
FI 16	Engagement policy disclosure	🔒	n/a	✓	✓					
FI 17	Financial/ESG performance	🔒	n/a							✓
FI 18	Examples - ESG incorporation or engagement	🔒	n/a	✓	✓					
FI End	Module confirmation page	✓	-							

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year's PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year's PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	✓	Public							✓
CM1 01 End	Module confirmation page	✓	-							



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Reported Information

Public version

Organisational Overview

## PRI disclaimer

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## Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
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### OO 01.1 Select the services and funds you offer

Select the services and funds you offer	% of asset under management (AUM) in ranges
Fund management	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Fund of funds, manager of managers, sub-advised products	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Other	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Total 100%	

Further options (may be selected in addition to the above)

- ☒ Hedge funds  
☐ Fund of hedge funds

OO 02	Mandatory	Public	Peering	General
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### OO 02.1 Select the location of your organisation's headquarters.

United States

### OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1  
☐ 2-5  
☐ 6-10  
☐ >10

**OO 02.3** Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

74

**OO 03** **Mandatory** **Public** **Descriptive** **General**

**OO 03.1** Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes

☒ No

**OO 04** **Mandatory** **Public** **Gateway/Peering** **General**

**OO 04.1** Indicate the year end date for your reporting year.

31/12/2019

**OO 04.2** Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM		11	000	000	000
Currency	USD				
Assets in USD		11	000	000	000

☐ Not applicable as we are in the fund-raising process

**OO 04.4** Indicate the assets which are subject to an execution and/or advisory approach. Provide this figure based on the end of your reporting year

☒ Not applicable as we do not have any assets under execution and/or advisory approach

OO 06	Mandatory	Public	Descriptive	General
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OO 06.1	Select how you would like to disclose your asset class mix.
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☐ as percentage breakdown

☒ as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	<10%	0
Fixed income	>50%	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Fund of hedge funds	0	0
Forestry	0	0

Farmland	0	0
Inclusive finance	0	0
Cash	10-50%	0
Money market instruments	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

**OO 06.2** Publish asset class mix as per attached image [Optional].

**OO 06.3** Indicate whether your organisation has any off-balance sheet assets [Optional].

☐ Yes

☒ No

**OO 06.5** Indicate whether your organisation uses fiduciary managers.

☐ Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.

☒ No, we do not use fiduciary managers.

**OO 09**

**Mandatory**

**Public**

**Peering**

**General**

**OO 09.1** Indicate the breakdown of your organisation's AUM by market.

Developed Markets

100

Emerging Markets

0

Frontier Markets

0

Other Markets

0

Total 100%

100%

## Asset class implementation gateway indicators

OO 10	Mandatory	Public	Gateway	General
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**OO 10.1** Select the active ownership activities your organisation implemented in the reporting year.

### Listed equity – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors.

### Listed equity – voting

- ☒ We cast our (proxy) votes directly or via dedicated voting providers
- ☐ We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

### Fixed income SSA – engagement

- ☐ We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
- ☒ We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

100% of Fixed Income SSA Bonds are bonds or structured-credit issued by US Government agencies & quasi-agencies, and the entire position is 1.0% of the Firm AUM.

### Fixed income Corporate (financial) – engagement

- ☐ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

We are still evaluating our ESG policies but have started collecting ESG related data

### Fixed income Corporate (non-financial) – engagement

- ☐ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

Non-Financial Corporates comprise 0.9% of the Firm's assets and engaging Financial Corporates issuers was deemed a priority. Policies and scorecards for engaging with Non-Financial Corporates Issuers will follow similar guidelines as the Financial Corporate engagements implemented in 2019.

#### Fixed income Corporate (securitised) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11

Mandatory

Public

Gateway

General

OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

#### Listed equity

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

#### Fixed income - SSA

- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

#### Fixed income - corporate (financial)

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

#### Fixed income - corporate (non-financial)

- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

#### Fixed income - securitised

- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

#### Cash

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

	Money market instruments
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- ☐ We address ESG incorporation.
- ☒ We do not do ESG incorporation.

OO 12	Mandatory	Public	Gateway	General
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OO 12.1	Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.
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	Core modules
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- ☒ Organisational Overview
- ☒ Strategy and Governance

	RI implementation directly or via service providers
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	Direct - Listed Equity incorporation
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- ☒ Listed Equity incorporation

	Direct - Listed Equity active ownership
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- ☒ Engagements
- ☐ (Proxy) voting

	Direct - Fixed Income
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- ☒ Fixed income - Corporate (financial)

	Closing module
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- ☒ Closing module

## Peering questions

OO FI 03	Mandatory	Public	Descriptive	General
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Update: this indicator has changed from "Mandatory to report, voluntary to disclose" to "Mandatory". **Your response to this indicator will be published in the Public Transparency Report.** This change is to enable improved analysis and peering.

OO FI 03.1	Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.
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SSA		Developed markets
	100	
		Emerging markets
	0	
		Total
	100%	

**OO FI 03.2**

Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<b>100%</b>

If you are invested in private debt and reporting on ratings is not relevant for you, please indicate below

☐ OO FI 03.2 is not applicable as our internally managed fixed income assets are invested only in private debt.

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Strategy and Governance

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## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

☒ Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- ☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- ☐ Your investment objectives that take ESG factors/real economy influence into account
- ☐ Time horizon of your investment
- ☒ Governance structure of organisational ESG responsibilities
- ☒ ESG incorporation approaches
- ☒ Active ownership approaches
- ☒ Reporting
- ☐ Climate change
- ☒ Understanding and incorporating client / beneficiary sustainability preferences
- ☐ Other RI considerations, specify (1)
- ☐ Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

Angel Oak Capital Advisors is an investment management firm focused on providing compelling fixed income investment solutions for its clients. Backed by a value-driven approach, the Firm seeks to deliver attractive risk-adjusted returns through a combination of stable current income and price appreciation. The investment team seeks the best opportunities in fixed income with a specialization in mortgage-backed securities and other areas of structured credit. The firm is distinguished by an approach that includes:

- Relative-value fixed income specialists in structured credit management
- A disciplined investment focus on a high-quality subset of non-agency RMBS, CMBS and CLOs
- Expertise across the mortgage-backed spectrum of origination, servicing, securitization, credit analysis and portfolio management

The Firm's corporate values have stressed responsible investment since its founding. AOCA believes that taking an active approach to assessing ESG issues in investment decisions has the potential to generate enhanced performance for our investors as well as provide benefits to society as a whole. AOCA's investment strategies are implemented in a manner that optimizes the firm's ownership and potentially impact investing. Operating entities within AOCA are encouraged to implement mechanisms to identify, manage and mitigate ESG risks, within the context of internal policies and stakeholder expectations.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Currently, 54% of the Firm's positions comprise structured credit investments for which there is not yet a market consensus regarding how ESG factors should be considered in responsible investment analysis. Residential and commercial mortgages represent 17% of total holdings, which also need to be appropriately analysed before incorporation into the Firm's investment strategies. Cash comprises an additional 17%. The Firm now collects ESG assessment factors as part of its due diligence process when investing in community bank-issued securities. These investments frequently become collateral in bank debt collateralized bond obligations (CBO) securitizations, and their ESG factors can be used to create an asset-weighted average ESG score for the CBO. Although these ESG scores can be used by potential investors to evaluate CBOs, the ability to compare scores across different sponsors will ultimately require some degree of industry standardization. As such, the Firm is collaborating with other PRI signatories on the development of best practices for accessing ESG factors associated with these assets prior to fully implementing its investment policies.

☐ No

SG 02	Mandatory	Public	Core Assessed	PRI 6
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 02.1</b>	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- ☐ Policy setting out your overall approach
- ☐ Fiduciary (or equivalent) duties
- ☐ Engagement policy
- ☐ (Proxy) voting policy
- ☒ We do not publicly disclose our investment policy documents

<b>SG 02.2</b>	Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.
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- ☐ Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- ☐ Governance structure of organisational ESG responsibilities
- ☐ ESG incorporation approaches
- ☐ Active ownership approaches
- ☐ Reporting
- ☐ Understanding and incorporating client / beneficiary sustainability preferences
- ☒ We do not publicly disclose any investment policy components

SG 03	Mandatory	Public	Core Assessed	General
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<b>SG 03.1</b>	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

<b>SG 03.2</b>	Describe your policy on managing potential conflicts of interest in the investment process.
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The Firm's Code of Ethics addresses personal trading by employees and provides a means to resolve any actual or potential conflicts of interest in favor of clients. Angel Oak maintains procedures which require pre-clearance and regular reporting of certain personal investment transactions. Employees are prohibited from purchasing the same securities simultaneously or prior to purchases by clients. Angel Oak will vote all proxies in the best interests of advisory clients and has established procedures to identify and resolve any conflicts of interest of the adviser and client. Unless instructed differently by the client, Angel Oak will generally vote in favor of routine corporate proposals such as election of directors or selection of auditors. Angel Oak will generally vote against proposals such as those that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, Angel Oak will consider the opinion of management and the effect on shareholder value and the issuer's business practices.

The RI policy allows for purchase/retention of securities with potential negative ESG impact and may sell or not invest in securities with positive ESG impact if it determines that an investment doesn't earn a return commensurate with the risk.

☐ No

## Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.
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- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc basis
- ☐ It is not set/reviewed

## Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
-------	-----------	--------	---------------	---------

SG 07.1	Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.
---------	---

	Roles
--	-------

- ☒ Board members or trustees
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Internal Roles (triggers other options)

	Select from the below internal roles
--	--------------------------------------

- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify  
Director of ESG & Regulatory Initiatives

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investment analysts
- ☒ Dedicated responsible investment staff
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investor relations
- ☐ Other role, specify (1)
- ☐ Other role, specify (2)
- ☐ External managers or service providers

#### SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

The COO, Director of ESG, Marketing and Bank Debt team formally integrated a Responsible Investing strategy across the activities of the Firm. This responsible investing policy requires reporting performance vs baselines to the each ESG-integrated fund's board on a quarterly basis and more detailed progress reports on an annual basis.

#### SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

2

### Promoting responsible investment

SG 09

Mandatory

Public

Core Assessed

PRI 4,5

#### SG 09.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

#### Select all that apply

- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Angel Oak advised on the selection of the member firms to comprise the UN PRI's Structured Products Advisory Committee (SPAC), and is a founding member. The Firm participated in the development of the SPAC's charter and proposed members for the committee based on experience in asset management and the structured finance space. The SPAC officially convened in 2020.

- ☐ Asian Corporate Governance Association
- ☐ Australian Council of Superannuation Investors
- ☐ AVCA: Sustainability Committee
- ☐ France Invest – La Commission ESG
- ☐ BVCA – Responsible Investment Advisory Board
- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

The Firm is an investor in the CDP and has proposed a project to be funded by external funders that would sponsor the development and implementation of climate disclosures for community banks in the US. The project anticipates participation from the American Bankers Association, the New York Department of Financial Services, and a subset of the community banks whose securities are held by funds or accounts managed by the Firm.

- ☒ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced



Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Angel Oak is an investor in the CDP and receives access to the Forest dataset.

☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Angel Oak is an investor in the CDP and receives access to the Water dataset.

☒ CFA Institute Centre for Financial Market Integrity

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

The Firm was asked to be a special advisor for the CFA Institute's Task Force on ESG Industry Standards to help identify and address issues specific to the structured credit asset class.

- ☐ Climate Action 100+
- ☐ Code for Responsible Investment in SA (CRISA)
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ ESG Research Australia
- ☐ Invest Europe Responsible Investment Roundtable
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Impact Investing Network (GIIN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Green Bond Principles
- ☐ HKVCA: ESG Committee
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ International Integrated Reporting Council (IIRC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☐ Principles for Financial Action in the 21st Century
- ☐ Principles for Sustainable Insurance
- ☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- ☐ Responsible Finance Principles in Inclusive Finance
- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify

Task Force for Climate-related Financial Disclosure (TCFD)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Public supporter of the TCFD on their website.

- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
-------	-----------	--------	---------------	-------

SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
---------	--

☒ Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
---------	--

- ☒ Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

	Description
--	-------------

Firm's Director of ESG developed an online ESG Investing module for a commercial vendor to be provided to investment professionals across the industry. The course is a foundational one hour course accessibly by any investment professional on a fee basis.

	Frequency of contribution
--	---------------------------

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☒ Ad hoc
- ☐ Other

- ☒ Provided financial support for academic or industry research on responsible investment

	Description
--	-------------

Became investors in the Carbon Disclosure Project in 2019 and paid the annual investment fee of \$1,475 to provide funds for data mining and research into best practices for advances measures to disclose carbon emissions.

Frequency of contribution
---------------------------

- ☐ Quarterly or more frequently
  - ☐ Biannually
  - ☒ Annually
  - ☐ Less frequently than annually
  - ☐ Ad hoc
  - ☐ Other
- ☐ Provided input and/or collaborated with academia on RI related work
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description
-------------

The Firm has shared its policies and procedures developed during the ESG integration program in due diligence meetings with investors, service providers and major vendors and requested service providers and vendors to document their internal ESG policies. In addition, the Firm has participated in a series of meetings with major Wall Street firms to share these policies, procedures and practices to create transparency around the Firm's ESG integration activities as well as to get better insights into industry best practices adopted by other asset managers.

Frequency of contribution
---------------------------

- ☐ Quarterly or more frequently
  - ☐ Biannually
  - ☐ Annually
  - ☐ Less frequently than annually
  - ☒ Ad hoc
  - ☐ Other
- ☒ Spoke publicly at events and conferences to promote responsible investment

Description
-------------

Director of ESG participated on a panel at the Structured Finance Association's inaugural ESG Symposium on Dec. 5, 2019 on the key factors affecting the environmental ("E") component. Director of ESG participated on a panel at the KBRA ESG Conference in New York on November 14, 2019 on the impact of ESG integration in the community banking sector.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
  - ☐ Biannually
  - ☐ Annually
  - ☐ Less frequently than annually
  - ☐ Ad hoc
  - ☐ Other
- ☒ Wrote and published in-house research papers on responsible investment

Description
-------------

ESG team publishes quarterly internal updates on ESG integration and key elements of responsible investment policy initiatives.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

- ☐ Encouraged the adoption of the PRI
- ☐ Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)
- ☐ Wrote and published articles on responsible investment in the media
- ☒ A member of PRI advisory committees/ working groups, specify

Description
-------------

Director of ESG is a member of the UN PRI's Structured Products Advisory Committee (SPAC, formed in 2019). Focus is on ESG integration efforts for residential mortgage-backed securities (RMBS).

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

- ☒ On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Description
-------------

Director of ESG is a founding member of the Board of Directors and the Corporate Secretary of the Fixed Income Investor Network (FIIN), a 501(c)3 industry advocacy organization to promote structured finance and securitization in the marketplace. Serves as Chair of the FIIN ESG Task Force.

	Frequency of contribution
--	---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other
- ☐ Other, specify
- ☐ No

## Outsourcing to fiduciary managers and investment consultants

SG 12	Mandatory	Public	Core Assessed	PRI 4
-------	-----------	--------	---------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 12.1	Indicate whether your organisation uses investment consultants.
---------	---

- ☐ Yes, we use investment consultants
- ☒ No, we do not use investment consultants.

## ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
---------	--

- ☐ Yes, in order to assess future ESG factors
- ☐ Yes, in order to assess future climate-related risks and opportunities
- ☒ No, our organisation does not currently carry out scenario analysis and/or modelling

## Asset class implementation not reported in other modules

SG 16	Mandatory	Public	Descriptive	General
-------	-----------	--------	-------------	---------

SG 16.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
---------	--

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equity - (proxy) voting	The Firm votes proxies for all of its listed equities, including those purchased by the Sub-Advisor, but has not instituted specific voting guidelines related to proxy voting. It's Proxy Voting policy states that Angel Oak will vote all proxies in the best interests of advisory clients and has established procedures to identify and resolve any conflicts of interest of the adviser and client. Unless instructed differently by the client, Angel Oak will generally vote in favor of routine corporate proposals such as election of directors. Angel Oak will generally vote against proposals such as those that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, Angel Oak will consider the opinion of management and the effect on shareholder value and the issuer's business practices.
Cash	Angel Oak performs thorough due diligence on its custodian banks. This due diligence includes review of their governance and social policies, on-site visits to further access social and environmental practices and review of the custodian's ESG practices, including review of annual responsible investing reports.

## Communication

SG 19	Mandatory	Public	Core Assessed	PRI 2, 6
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SG 19.1	Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
---------	---

### Listed equity - Incorporation

#### Do you disclose?

- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose it publicly

#### The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

<b>Disclosure to public and URL</b>	
	<div>Disclosure to public and URL</div> <div> <input checked="" type="radio"/> Broad approach to ESG incorporation  <input type="radio"/> Detailed explanation of ESG incorporation strategy used         </div>
	<div>Frequency</div> <div> <input checked="" type="checkbox"/> Quarterly or more frequently  <input type="checkbox"/> Biannually  <input type="checkbox"/> Annually  <input type="checkbox"/> Less frequently than annually  <input type="checkbox"/> Ad-hoc/when requested         </div>
	<div>URL</div> <div> <a href="https://angeloakcapital.com/wp-content/uploads/2019/4Q/financials_income_fund_4Q19.pdf">https://angeloakcapital.com/wp-content/uploads/2019/4Q/financials_income_fund_4Q19.pdf</a> </div>
	<div>URL</div> <div> <a href="https://www.businesswire.com/news/home/20191108005505/en/Angel-Oak-Financials-Income-Fund-Celebrates-5-Year">https://www.businesswire.com/news/home/20191108005505/en/Angel-Oak-Financials-Income-Fund-Celebrates-5-Year</a> </div>

Listed equity - Engagement

Do you disclose?

☐ We do not disclose to either clients/beneficiaries or the public.  
☒ We disclose to clients/beneficiaries only.  
☐ We disclose to the public



<b>Disclosure to clients/beneficiaries</b>	
	<div>Disclosure to clients/beneficiaries</div> <input checked="" type="checkbox"/> Details on the overall engagement strategy <input type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals <input type="checkbox"/> Number of engagements undertaken <input type="checkbox"/> Breakdown of engagements by type/topic <input type="checkbox"/> Breakdown of engagements by region <input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives <input checked="" type="checkbox"/> Examples of engagement cases <input type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.) <input type="checkbox"/> Details on whether the provided information has been externally assured <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information
	<div>Frequency</div> <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested

	<b>Fixed income</b>
--	---------------------

	<b>Do you disclose?</b>
--	-------------------------

- ☐ We do not disclose to either clients/beneficiaries or the public.  
☐ We disclose to clients/beneficiaries only.  
☒ We disclose to the public

	<b>The information disclosed to clients/beneficiaries is the same</b>
--	---

- ☒ Yes  
☐ No

<b>Disclosure to public and URL</b>	
	<div>Disclosure to public and URL</div> <div> <input checked="" type="radio"/> Broad approach to RI incorporation  <input type="radio"/> Detailed explanation of RI incorporation strategy used         </div>
	<div>Frequency</div> <div> <input checked="" type="checkbox"/> Quarterly  <input type="checkbox"/> Biannually  <input type="checkbox"/> Annually  <input type="checkbox"/> Less frequently than annually  <input type="checkbox"/> Ad hoc/when requested         </div>
	<div>URL</div> <div> <a href="https://angeloakcapital.com/wp-content/uploads/2019/4Q/financials_income_fund_4Q19.pdf">https://angeloakcapital.com/wp-content/uploads/2019/4Q/financials_income_fund_4Q19.pdf</a> </div>
	<div>URL</div> <div> <a href="https://www.businesswire.com/news/home/20191108005505/en/Angel-Oak-Financials-Income-Fund-Celebrates-5-Year">https://www.businesswire.com/news/home/20191108005505/en/Angel-Oak-Financials-Income-Fund-Celebrates-5-Year</a> </div>

<b>SG 19.2</b>	<b>Additional information [Optional]</b>
----------------	--

In 2019 Angel Oak publicly shared that it integrated a formal process of identifying and quantifying the environmental, social, and governance profiles of the issuers held in the Angel Oak Financials Income Fund.

Angel Oak Capital (Angel Oak Capital Advisors, LLC and Angel Oak Canopy Partners, LLC)

Reported Information

Public version

Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## ESG incorporation in actively managed listed equities

### Implementation processes

LEI 01	Mandatory	Public	Gateway	PRI 1
--------	-----------	--------	---------	-------

#### LEI 01.1

Indicate which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities; and the breakdown of your actively managed listed equities by strategy or combination of strategies.

#### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e., not combined with any other strategies)
- ☐ Thematic alone (i.e., not combined with any other strategies)
- ☐ Integration alone (i.e., not combined with any other strategies)
- ☐ Screening and integration strategies
- ☐ Thematic and integration strategies
- ☐ Screening and thematic strategies
- ☒ All three strategies combined

Percentage of active listed equity to which the strategy is applied — you may estimate +/- 5%	<div> <div></div> <div>%</div> </div> <div>100</div>
---	--

- ☐ We do not apply incorporation strategies

#### Total actively managed listed equities

100%

#### LEI 01.2

Describe your organisation's approach to ESG incorporation and the reasons for choosing the particular strategy/strategies.

Angel Oak thematically focuses on investments in regional banks and financial institutions that historically prioritize community development, growing local businesses and affordable financing options, all of which support the UN SDGs. Most analysts look at the capital asset quality, earnings, and liquidity, but Angel Oak focuses its due diligence efforts on getting to know management and understanding their strengths. Attention is paid to how an organization handles areas such as financial strategy, risk management, regulatory compliance and how its operations are adapting to key market business strategies, such as the move from LIBOR. Board, management and employee diversity are key social indicators, in addition to lending practices, community involvement and charitable activities. Listed equity is < 1% of the firm's holdings and 80% of Listed equity is cross-holdings of mutual funds and non-financial ETFs, but the balance of the equities are issued by regional and national banks that support socially responsible investing and lending practices and follow the same ESG incorporation approach as corporate financials.

Angel Oak has established a network of investment banks that regularly bring proposed new community bank capital instrument issues to market. Once an investment bank has notified Angel Oak that a new transaction may be coming to market, a review of the initial information from the bank is conducted. If Angel Oak decides to move forward, then an NDA is signed and the issuer provides additional financial and organizational data. Angel Oak will also opportunistically identify trades in the secondary markets based on ongoing market

monitoring that meet the investment objectives of our clients. For any contemplated primary or secondary market trades, the portfolio management team will notify the ESG Team, which generates a pre-purchase ESG screen from publicly available information and flags any potential concerns or missing critical data. This initial assessment is used to screen for any major concerns regarding the bank's ESG factors and supplements the financial and organizational data that is reviewed by Angel Oak to ensure a holistic assessment of the bank's overall safety and soundness. Any data indicating potential concerns are discussed with the portfolio managers who ultimately make the investment decision. During this pre-purchase analysis a call is scheduled with the senior management team of the bank to discuss the institution's current condition and strategy going forward. A portion of this call is devoted to reviewing and validating the information in the ESG screening report as well as obtaining any additional ESG-related information that could potentially impact the investment decision. Any corrections to the data in the ESG screen are made based on representations from management and any additional data sources they might provide. In the event that the bank is unrated, an onsite due diligence meeting is also scheduled with the bank's senior management team, at which point additional ESG-related information is also obtained.

In the event that Angel Oak ultimately invests in the security issued by the bank, another engagement call with senior management is subsequently scheduled as soon thereafter as is possible to focus on the data elements that are collected for Angel Oak's proprietary BankSURF ESG Scorecard for commercial banks. In addition to the publicly available information obtained from the pre-purchase screening report, the bank is asked to provide ESG-related information from their lending, investing, funding and operational activities. The information is usually provided verbally with support from documents provided by the bank during or shortly after the call. These additional data factors are also input into the BankSURF database to update the scorecards. Angel Oak works with senior management to increase the positive impact on their served communities.

## (A) Implementation: Screening

LEI 04	Mandatory	Public	Descriptive	PRI 1
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LEI 04.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
----------	--

### Type of screening

- ☐ Negative/exclusionary screening
- ☒ Positive/best-in-class screening

### Screened by

- ☐ Product
- ☐ Activity
- ☒ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

Description
-------------

Issuers are rated on lending practices, (sectors such as Solar/PACE programs and recycling centers, small business, student loans, affordable housing, CDFI status), business practices (energy policies, LEED Certification, CRA rating), community programs (financial literacy, charitable giving, low-cost accounts) and workplace governance/employee practices. Scorecards are maintained for each issuer and issuers measured against industry norms.

☐ Norms-based screening

**LEI 04.2**

Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.

The scorecards are not publicly available nor are the specific weights discussed with clients. Angel Oak's ESG team shares the scorecard criteria with potential investors and clients and discusses the scoring/weighting process in general, but as this is the first year of formal screening, the ratings and weight data points are still being refined.

**LEI 05**

**Mandatory**

**Public**

**Core Assessed**

**PRI 1**

**LEI 05.1**

Indicate which processes your organisation uses to ensure ESG screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies.
- ☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar.
- ☐ Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- ☒ Trading platforms blocking / restricting flagged securities on the black list.
- ☒ A committee, body or similar with representatives independent of the individuals who conduct company research reviews some or all screening decisions.
- ☒ A periodic review of internal research is carried out.
- ☐ Review and evaluation of external research providers.
- ☐ Other; specify
- ☐ None of the above

**LEI 05.2**

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.

- ☐ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☒ >90%

**LEI 05.4**

Indicate how frequently you review internal research that builds your ESG screens.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

**(B) Implementation: Thematic**

LEI 07	Mandatory	Public	Descriptive	PRI 1
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**LEI 07.1** Indicate the type of sustainability thematic funds or mandates your organisation manages.

- ☐ Environmentally themed funds
- ☒ Socially themed funds
- ☐ Combination of themes

**LEI 07.2** Describe your organisation's processes relating to sustainability themed funds. [Optional]

While the social sustainability themes are more prevalent in the community banking sector, Angel Oak has been working with its issuers to educate them on the need to incorporate environmental sustainability into their lending and business practices. Angel Oak's analysis addresses both Environmental (through carbon emissions disclosures, environmental policies, lending to and investing in environmentally sustainable organizations, recycling programs, etc.) and Social (affordable housing, small business lending, educational lending, low income housing tax credit investments, Community Reinvestment Act requirements, loans to non-profits, charitable donations and participation, etc.) themes.

### (C) Implementation: Integration of ESG factors

LEI 08	Mandatory	Public	Core Assessed	PRI 1
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**LEI 08.1** Indicate the proportion of actively managed listed equity portfolios where E, S and G factors are systematically researched as part of your investment analysis.

ESG issues	Proportion impacted by analysis
Environmental	<div> <div></div> <div>Environmental</div> </div> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%         </p>
Social	<div> <div></div> <div>Social</div> </div> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%         </p>
Corporate Governance	<div> <div></div> <div>Corporate Governance</div> </div> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%         </p>

LEI 09	Mandatory	Public	Core Assessed	PRI 1
--------	-----------	--------	---------------	-------

LEI 09.1	Indicate which processes your organisation uses to ensure ESG integration is based on robust analysis.
----------	--

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ Third-party ESG ratings are updated regularly
- ☒ A periodic review of the internal research is carried out
- ☒ Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ☐ ESG risk profile of a portfolio against benchmark
- ☐ Analysis of the impact of ESG factors on investment risk and return performance
- ☐ Other; specify
- ☐ None of the above



**LEI 09.2**

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

- ☐ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☒ >90%

**LEI 09.4**

Indicate how frequently you review internal research that builds your ESG integration strategy.

- ☒ Quarterly or more frequently
- ☐ Bi-Annually
- ☐ Annually
- ☐ Less frequently than annually

**LEI 09.5**

Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools, and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research were incorporated into investment decisions
- ☐ Other; specify
- ☐ None of the above

Angel Oak Capital (Angel Oak Capital Advisors, LLC and Angel Oak Canopy Partners, LLC)

## Reported Information

### Public version

#### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

LEA 01	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

### LEA 01.1

Indicate whether your organisation has an active ownership policy (includes engagement and/or voting).

☒ Yes

### LEA 01.2

Attach or provide a URL to your active ownership policy.

☐ Attachment provided:

☒ URL provided:

### LEA 01.3

Indicate what your active engagement policy covers:

#### General approach to Active Ownership

- ☐ Conflicts of interest
- ☐ Alignment with national stewardship code requirements
- ☐ Assets/funds covered by active ownership policy
- ☐ Expectations and objectives
- ☒ Engagement approach

#### Engagement

- ☒ ESG issues
- ☐ Prioritisation of engagement
- ☒ Methods of engagement
- ☐ Transparency of engagement activities
- ☒ Due diligence and monitoring process
- ☐ Insider information
- ☐ Escalation strategies
- ☐ Service Provider specific criteria
- ☐ Other; (specify)
- ☐ (Proxy) voting approach
- ☐ Other
- ☐ None of the above

☐ No

**LEA 01.4**

Do you outsource any of your active ownership activities to service providers?

☐ Yes☒ No**LEA 01.6**

Additional information [optional]

Angel Oak does not have a specific policy for active ownership of listed equities that can be attached but it is included in the general ESG integration plan.

**Engagement****LEA 02****Mandatory****Public****Core Assessed****PRI 1,2,3****LEA 02.1**

Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence it) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> We do not engage via service providers

**LEA 03****Mandatory****Public****Core Assessed****PRI 2**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEA 03.1**

Indicate whether your organisation has a formal process for identifying and prioritising engagements.

☒ Yes

**LEA 03.2**

Indicate the criteria used to identify and prioritise engagements for each type of engagement.

Type of engagement	Criteria used to identify/prioritise engagements																										
Individual / Internal staff engagements	<table> <tr> <th></th><th>Individual / Internal staff engagements</th></tr> <tr> <td><input type="checkbox"/></td><td>Geography/market of the companies</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Materiality of the ESG factors</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Exposure (size of holdings)</td></tr> <tr> <td><input checked="" type="checkbox"/></td><td>Responses to ESG impacts that have already occurred</td></tr> <tr> <td><input type="checkbox"/></td><td>Responses to divestment pressure</td></tr> <tr> <td><input type="checkbox"/></td><td>Consultation with clients/beneficiaries</td></tr> <tr> <td><input type="checkbox"/></td><td>Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</td></tr> <tr> <td><input type="checkbox"/></td><td>Follow-up from a voting decision</td></tr> <tr> <td><input type="checkbox"/></td><td>Client request</td></tr> <tr> <td><input type="checkbox"/></td><td>Breaches of international norms</td></tr> <tr> <td><input type="checkbox"/></td><td>Other; (specify)</td></tr> <tr> <td><input type="checkbox"/></td><td>We do not outline engagement criteria for our individual engagements</td></tr> </table>		Individual / Internal staff engagements	<input type="checkbox"/>	Geography/market of the companies	<input checked="" type="checkbox"/>	Materiality of the ESG factors	<input checked="" type="checkbox"/>	Exposure (size of holdings)	<input checked="" type="checkbox"/>	Responses to ESG impacts that have already occurred	<input type="checkbox"/>	Responses to divestment pressure	<input type="checkbox"/>	Consultation with clients/beneficiaries	<input type="checkbox"/>	Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)	<input type="checkbox"/>	Follow-up from a voting decision	<input type="checkbox"/>	Client request	<input type="checkbox"/>	Breaches of international norms	<input type="checkbox"/>	Other; (specify)	<input type="checkbox"/>	We do not outline engagement criteria for our individual engagements
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<input type="checkbox"/>	Follow-up from a voting decision																										
<input type="checkbox"/>	Client request																										
<input type="checkbox"/>	Breaches of international norms																										
<input type="checkbox"/>	Other; (specify)																										
<input type="checkbox"/>	We do not outline engagement criteria for our individual engagements																										

○ No

**LEA 04****Mandatory****Public****Core Assessed****PRI 2****New selection options have been added to this indicator. Please review your prefilled responses carefully.****LEA 04.1**

Indicate whether you define specific objectives for your organisation's engagement activities.

Individual / Internal staff engagements	<input type="radio"/> All engagement activities <input type="radio"/> Majority of engagement activities <input checked="" type="radio"/> Minority of engagement activities <input type="radio"/> We do not define specific objectives for engagement activities carried out by internal staff
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**LEA 05****Mandatory****Public****Core Assessed****PRI 2****LEA 05.1**

Indicate whether you monitor and/or review engagement outcomes.

Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, in all cases <input type="radio"/> Yes, in a majority of cases <input type="radio"/> Yes, in a minority of cases <input type="radio"/> We do not monitor, or review engagement outcomes when the engagement is carried out by our internal staff.
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**LEA 05.2**

Indicate whether you do any of the following to monitor and/or review the progress of engagement activities.

Individual / Internal staff engagements

- ☒ Define timelines/milestones for your objectives
- ☒ Track and/or monitor progress against defined objectives and/or KPIs
- ☐ Track and/or monitor the progress of action taken when original objectives are not met
- ☒ Revisit and, if necessary, revise objectives on a continuous basis
- ☐ Other; specify

**LEA 05.3**

Additional information. [Optional]

Angel Oak engages proactively with issuers to encourage them to improve their ESG scores. In this regard, Angel Oak engages in direct dialogue with company management, including through in-person meetings, phone calls, electronic communications, and letters. These engagement activities are designed to facilitate Angel Oak's efforts to identify opportunities for companies to improve their ESG practices and to work collaboratively with company management to establish concrete objectives and to develop a plan for meeting those objectives.

Each calendar year a summary report is prepared that compares the factor and composite scores from the previous year end to the current year end with point level and percentage changes. Any issuers that experience material reductions in factor or composite scores are placed on the Watch List in addition to all issuers that score "needs improvement" on either the absolute or statistical scorecard. Institutions on the Watch List are subject to enhanced monitoring, which generally includes a call to senior management to discuss any concerns and identify any mitigating factors.

**LEA 06**

**Mandatory**

**Public**

**Additional Assessed**

**PRI 2,4**

**LEA 06.1**

Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.

☒ Yes

**LEA 06.2**

Indicate the escalation strategies used at your organisation following unsuccessful engagements.

- ☐ Collaborating with other investors
- ☐ Issuing a public statement
- ☐ Filing/submitting a shareholder resolution
- ☒ Voting against the re-election of the relevant directors
- ☒ Voting against the board of directors or the annual financial report
- ☐ Submitting nominations for election to the board
- ☐ Seeking legal remedy / litigation
- ☒ Reducing exposure (size of holdings)
- ☒ Divestment
- ☐ Other; specify

☐ No

<b>LEA 06.3</b>	Additional information. [Optional]
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Angel Oak has just completed its first comprehensive year of issue reviews and engagements for listed equity and has not yet deemed any engagement attempts unsuccessful.

<b>LEA 08</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 2</b>
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<b>LEA 08.1</b>	Indicate whether you track the number of your engagement activities.
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Type of engagement	Tracking engagements
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track

<b>LEA 08.2</b>	Additional information. [Optional]
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In conjunction with the annual ESG Outlook, each bank is provided (either by email or by phone) with a list of relevant best-practice recommendations that, if implemented, would be expected to improve the institution's alignment with favorable ESG factors. These recommendations would generally either be driven by less than satisfactory scorecard evaluations or new developments in industry best practices. Results of any engagements are tracked in Angel Oak's proprietary BankSURF ESG database and made available to the full staff of ESG research and investment team. Discussions of highlighted issuers are also included in investment team meetings.

Angel Oak Capital (Angel Oak Capital Advisors, LLC and Angel Oak Canopy Partners, LLC)

Reported Information

Public version

Direct - Fixed Income

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## ESG incorporation in actively managed fixed income

### Implementation processes

FI 01	Mandatory	Public	Gateway	PRI 1
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FI 01.1

Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.

Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	0
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	100
	No incorporation strategies applied	0
		100%

FI 01.2	Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.
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Angel Oak thematically focuses on investing in regional banks and financial institutions which historically prioritize community development, growing local businesses and affordable financing options, all of which support the UN SDGs. Portfolio Managers hold pre-purchase phone interviews and onsite visits with senior management at the issuing banks. Key to the agenda is a section on responsible investing and ESG topics. These interactions provide opportunities to identify ESG factors such as lending to industries and community-based activities with positive environmental and societal benefits. The firm's research team reviews the interview notes and available ESG data and consolidates it into a database based on which creates a scorecard to screen potential issuers. Follow-up engagement calls to review the ESG questionnaire in detail with senior management are held post purchase and annually thereafter to educate them on ESG issues and work with the issuer's senior management to increase the positive impact on their served communities.

FI 01.3	Additional information [Optional].
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Most bank analysts look at the capital asset quality, earnings, and liquidity, but Angel Oak focuses its due diligence efforts on getting to know management and understanding their strengths. Attention is paid to how an organization handles areas such as financial strategy, risk management, regulatory compliance and how its operations are adapting to key market business strategies, such as the move from LIBOR. Board, management and employee diversity are key social indicators, in addition to lending practices, community involvement and charitable activities.

Angel Oak has established a network of investment banks that regularly bring proposed new community bank capital instrument issues to market. Once an investment bank has notified Angel Oak that a new transaction may be coming to market, a review of the initial information from the bank is conducted. If Angel Oak decides to move forward, then an NDA is signed and the issuer provides additional financial and organizational data. Angel Oak will also opportunistically identify trades in the secondary markets based on ongoing market monitoring that meet the investment objectives of our clients. For any contemplated primary or secondary market trades, the portfolio management team will notify the ESG Team, which generates a pre-purchase ESG screen from publicly available information and flags any potential concerns or missing critical data. This initial assessment is used to screen for any major concerns regarding the bank's ESG factors and supplements the financial and organizational data that is reviewed by Angel Oak to ensure a holistic assessment of the bank's overall safety and soundness. Any data indicating potential concerns are discussed with the portfolio managers who ultimately make the investment decision. During this pre-purchase analysis a call is scheduled with the senior management team of the bank to discuss the institution's current condition and strategy going forward. A portion of this call is devoted to reviewing and validating the information in the ESG screening report as well as obtaining any additional ESG-related information that could potentially impact the investment decision. Any corrections to the data in the ESG screen are made based on representations from management and any additional data sources they might provide. In the event that the bank is unrated, an onsite due diligence meeting is also scheduled with the bank's senior management team, at which point additional ESG-related information is also obtained.

In the event that Angel Oak ultimately invests in the security issued by the bank, another engagement call with senior management is subsequently scheduled as soon thereafter as is possible to focus on the data elements that are collected for Angel Oak's proprietary BankSURF ESG Scorecard for commercial banks. In addition to the publicly available information obtained from the pre-purchase screening report, the bank is asked to provide ESG-related information from their lending, investing, funding and operational activities. The information is usually provided verbally with support from documents provided by the bank during or shortly after the call. These additional data factors are also input into the BankSURF database to update the scorecards. Angel Oak works with senior management to increase the positive impact on their served communities.

FI 03	Mandatory	Public	Additional Assessed	PRI 1
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<b>FI 03.1</b>	Indicate how you ensure that your ESG research process is robust:
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- ☒ Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- ☒ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- ☐ Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- ☒ A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- ☐ Other, specify
- ☐ None of the above

<b>FI 03.2</b>	Describe how your ESG information or analysis is shared among your investment team.
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- ☒ ESG information is held within a centralised database and is accessible to all investment staff
- ☐ ESG information is displayed on front office research platforms
- ☒ ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- ☒ Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- ☐ Records capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

<b>FI 03.3</b>	Additional information. [Optional]
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For any contemplated corporate financial trades, the portfolio management team will notify the ESG team which generates a pre-purchase ESG screen from the proprietary BankSURF database and flags any potential concerns or missing critical data. This assessment is used to screen for major concerns regarding the banks ESG impact and supplements financial and organizational data. A call is scheduled with senior management of the bank and a portion of the agenda devoted to obtaining ESG related information that could impact the investment decision. Onsite due diligence meetings are also held for unrated banks. All findings are maintained in the firm's BankSURF database and individual scorecards generated which are updated quarterly and scores reported to the investment team. Angel Oak's policy requires investment staff to report ESG information at quarterly investment committee and annual Board of Director meetings.

## (A) Implementation: Screening

FI 04	Mandatory	Public	Gateway	PRI 1
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<b>FI 04.1</b>	Indicate the type of screening you conduct.
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Select all that apply

	<b>Corporate (financial)</b>		
Negative/exclusionary screening	<input type="checkbox"/>		
Positive/best-in-class screening	<input checked="" type="checkbox"/>		
Norms-based screening	<input type="checkbox"/>		

**FI 04.2**

Describe your approach to screening for internally managed active fixed income

Phone interviews are held with senior management at the issuing banks and onsite meetings scheduled when the issuer is not rated. These interactions, along with data compiled from S&P and other databases provide an opportunity to populate ESG factors in the BankSURF database such as:

- Community Development Entity ("CDE") certification, allowing participation in New Market Tax Credit ("NMTC") programs providing loans to immigrant and disadvantaged communities.
- Community Development Financial Institution ("CDFI") designation, recognizing banks that specialize in serving economically distressed communities.
- Lending to industries (e.g., solar energy, low-income housing, waste management/recycling, etc.) that have positive environmental and societal benefits.
- Directors or associates who serve on the boards of non-profit organizations.
- Activities that satisfy Community Reinvestment Act ("CRA") requirements: such as affordable housing loans to low-to-moderate income borrowers, loans to businesses in economically distressed areas, and lending to support natural disaster recovery efforts

The BankSURF database generates scorecards for each issuer with the average values for each of the individual ESG factors and the composite score for banks, which facilitates the best-in-class screening process.

**FI 06**

**Mandatory**

**Public**

**Core Assessed**

**PRI 1**

**FI 06.1**

Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.

Type of screening	Checks
<b>Positive/best-in-class screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

FI 06.2	Additional information. [Optional]
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The Absolute Scorecard Summary Report and the Statistical Scorecard Summary reports are produced quarterly. The data that populates the absolute and statistical scorecards are updated periodically. Any publicly available data that can be obtained through automated processes (S&P Market Intelligence or Bloomberg) are updated quarterly. Other non-public data obtained from senior management are updated at least annually, or more frequently if there is engagement with management between annual periods. Only banks that are currently held in ESG-integrated funds on the as-of date of the report are evaluated.

Each calendar year a summary report will be prepared that compares the factor and composite scores from the previous year end to the current year end with point level and percentage changes. A summary of this information will be presented in the annual Angel Oak ESG Outlook. Any institutions that experience material reductions in factor or composite scores are placed on the Watch List in addition to all institutions that score "needs improvement" on either the absolute or statistical scorecard. Institutions on the Watch List are subject to enhanced monitoring, which generally includes a call to senior management to discuss any concerns and identify any mitigating factors.

The formal screening program was implemented in late 2018 and while external financial auditors do verify the fund holdings, they are not yet reviewed for ESG screening criteria. Independent ESG audits will definitely be considered for the future.

## (B) Implementation: Thematic

FI 08	Mandatory	Public	Core Assessed	PRI 1
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FI 08.1	Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles, Social Bond Principles, or Sustainability Bond Guidelines..
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- ☐ We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- ☐ We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- ☐ We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- ☐ We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- ☐ Other, specify
- ☒ None of the above

FI 08.2	Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.
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Angel Oak does not invest in green, social, or sustainability themed bonds, but rather focuses its investment in regional and community bank debt. Regional banks and financial institutions historically prioritize community development, growing local businesses and affordable financing options, all of which support the UN SDGs. Issuers are required to send quarterly financials and bond proceed disbursement reports. Review of bond proceeds is a substantial part of the extensive ongoing analysis,

FI 09	Mandatory	Public	Additional Assessed	PRI 1
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<b>FI 09.1</b>	Indicate how you assess the environmental or social impact of your thematic investments.
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- ☒ We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments
- ☐ We ensure independent audits are conducted on the environmental or social impact of our investments
- ☒ We have a proprietary system to measure environmental and social impact
- ☐ We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights
- ☐ Other, specify
- ☐ None of the above

<b>FI 09.2</b>	Additional information. [Optional]
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Angel Oak has developed a proprietary BankSURF ESG database to measure governance, social and environmental impact. The database is updated quarterly with S&P and other publicly available data. In addition to the publicly available information, each bank is asked annually to provide ESG-related information from their lending, investing, funding and operational activities.

## (C) Implementation: Integration

<b>FI 10</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>FI 10.1</b>	Describe your approach to integrating ESG into traditional financial analysis.
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Angel Oak has established a network of investment banks that regularly bring proposed new community bank capital instrument issues to market. Once an investment bank has notified Angel Oak that a new transaction may be coming to market, a review of the initial information from the bank is conducted. If Angel Oak decides to move forward, then an NDA is signed and the issuer provides additional financial and organizational data. Angel Oak will also opportunistically identify trades in the secondary markets based on ongoing market monitoring that meet the investment objectives of our clients. For any contemplated primary or secondary market trades, the portfolio management team will notify the ESG Team, which generates a pre-purchase ESG screen from publicly available information and flags any potential concerns or missing critical data. This initial assessment is used to screen for any major concerns regarding the bank's ESG factors and supplements the financial and organizational data that is reviewed by Angel Oak to ensure a holistic assessment of the bank's overall safety and soundness. Any data indicating potential concerns are discussed with the portfolio managers who ultimately make the investment decision. During this pre-purchase analysis a call is scheduled with the senior management team of the bank to discuss the institution's current condition and strategy going forward. A portion of this call is devoted to reviewing and validating the information in the ESG screening report as well as obtaining any additional ESG-related information that could potentially impact the investment decision. Any corrections to the data in the ESG screen are made based on representations from management and any additional data sources they might provide. In the event that the bank is unrated, an onsite due diligence meeting is also scheduled with the bank's senior management team, at which point additional ESG-related information is also obtained.

In the event that Angel Oak ultimately invests in the security issued by the bank, another call with senior management is subsequently scheduled as soon thereafter as is possible to focus on the data elements that are collected for Angel Oak's proprietary BankSURF ESG Scorecard for commercial banks. In addition to the publicly available information obtained from the pre-purchase screening report, the bank is asked to provide ESG-related information from their lending, investing, funding and operational activities. The information is usually provided verbally with support from documents provided by the bank during or shortly after the call. These data factors are input into Angel Oak's ESG database, from which the scorecards are created. The firm works with senior management to increase the positive impact on their served communities. The completed statistical scorecard is provided to the portfolio managers as additional input into the investment decision process and supplements the financial and organizational data that are also components of the evaluation process. It should be emphasized that any bank that scores in the "needs improvement" range for any of the ESG factors or the ESG composite rating are eligible for investment but are placed on a Watch List for heightened surveillance during the investment

period. Unlike the absolute scorecard, there will always be a certain percentage of banks (approx. 16%) that will be on the Watch List, regardless of their absolute performance.

FI 10.2	Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.
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	Corporate (financial)
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The above-mentioned approach was designed for community banks issuing new debt to be purchased by Angel Oak. It has since been expanded to include regional and national banks, both debt and equity, and insurance carriers. Additional modules are being developed for other financial corporates.

Significant progress has been made identifying & tracking ESG factors for residential mortgages which will be included in next year's report.

FI 11	Mandatory	Public	Core Assessed	PRI 1
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FI 11.1	Indicate how ESG information is typically used as part of your investment process.
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Select all that apply

	Corporate (financial)		
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>		
ESG analysis is used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>		
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>		
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>		
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>		
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input type="checkbox"/>		
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>		
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>		
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input type="checkbox"/>		
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>		
Other, specify in Additional Information	<input type="checkbox"/>		

FI 12	Mandatory	Public	Additional Assessed	PRI 1
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FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input type="radio"/> Occasionally <input type="radio"/> Not at all

FI 12.2	Please provide more detail on how you review E, S and/or G factors in your integration process.
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Structured credit is at the core of Angel Oak's investment strategies, so its approach to ESG integration has focused on the underlying assets, community bank debt and equities, and mortgages. Most analysts look at the capital asset quality, earnings and liquidity, but Angel Oak focuses its due diligence efforts on getting to know management and understanding their strengths. Attention is paid to how an organization handles areas such as financial strategy, risk management, regulatory compliance and how its operations are adapting to key market business strategies, such as the move from LIBOR. Board, management and employee diversity are key social indicators, in addition to lending practices, community involvement and charitable activities.

During pre-purchase analysis a call is scheduled with the senior management team of the bank to discuss the institution's current condition and strategy. A portion of the agenda is devoted to reviewing and validating the information in the ESG screening report as well as obtaining any additional ESG-related information that could potentially impact the investment decision. In the event that Angel Oak ultimately invests in a corporate financial security issued, another engagement call with senior management is subsequently scheduled as soon thereafter as is possible to focus on the data elements that are collected for Angel Oak's proprietary BankSURF ESG Scorecard for commercial banks. In addition to the publicly available information obtained from the pre-purchase screening report, the bank is asked to provide ESG-related information from their lending, investing, funding and operational activities. These data factors are input into Angel Oak's ESG database, from which scorecards are created.

The firm works with senior management to increase the positive impact on their served communities. In conjunction with the annual Angel Oak ESG Outlook, each bank is provided with a list of relevant best-practice recommendations that, if implemented, would be expected to improve the institution's alignment with favorable ESG factors. These recommendations are generally either driven by less than satisfactory scorecard evaluations or new developments in industry best practices.

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Reported Information

Public version

Confidence building measures

## PRI disclaimer

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## Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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CM1 01.1	Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:
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- ☐ Third party assurance over selected responses from this year's PRI Transparency Report
- ☐ Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- ☐ Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- ☐ Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- ☒ Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
  - ☒ Whole PRI Transparency Report has been internally verified
  - ☐ Selected data has been internally verified
- ☐ Other, specify
- ☐ None of the above

CM1 01.2	Additional information [OPTIONAL]
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Angel Oak Capital Advisors, LLC is a Global Investment Performance Standards (GIPS) compliant firm and its AUM and asset allocations are based on GIPS reporting standards and verified by its Global Marketing Officer. Sections of the report were prepared by Angel Oak's Chief Compliance Officer. The annual report was prepared with the assistance of a third-party consultant who was previously responsible for the Firm's implementation and verified by Angel Oak's Director of ESG and Regulatory Initiatives.

CM1 02	Mandatory	Public	Descriptive	General
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CM1 02.1	We undertook third party assurance on last year's PRI Transparency Report
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- ☐ Whole PRI Transparency Report was assured last year
- ☐ Selected data was assured in last year's PRI Transparency Report
- ☒ We did not assure last year's PRI Transparency report
- ☐ None of the above, we were in our preparation year and did not report last year.

CM1 02.3	Additional information [OPTIONAL]
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2018 was the first year of ESG implementation at Angel Oak and there was not adequate data available in last year's report to be independently assured vs published standards. However, Angel Oak Capital Advisors, LLC is a Global Investment Performance Standards (GIPS) compliant firm and its 2018 AUM and asset allocations were based on GIPS reporting standards. The firm also prepared private audit reports based on adherence to SASB standards for Asset Management and reviewed its adherence for underlying assets to the Commercial Bank, Insurance and Mortgage Finance SASB guidelines.

CM1 03	Mandatory	Public	Descriptive	General
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<b>CM1 03.1</b>	We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:
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- ☐ We adhere to an RI certification or labelling scheme
- ☐ We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ☐ ESG audit of holdings

☒ Other, specify

All AUM and asset allocations are based on GIPS reporting standards. The firm also self-audited itself versus relevant SASB standards.

☐ None of the above

<b>CM1 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>CM1 04.1</b>	Do you plan to conduct third party assurance of this year's PRI Transparency report?
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- ☐ Whole PRI Transparency Report will be assured
- ☐ Selected data will be assured
- ☒ We do not plan to assure this year's PRI Transparency report

<b>CM1 04.3</b>	Additional information [OPTIONAL]
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Angel Oak is predominately a structured asset boutique firm and assurance standards do not currently provide criteria for this asset class. However, Angel Oak is actively involved in the PRI Structured Credit Working Group initiative and will follow all recommended practices.

<b>CM1 07</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>CM1 07.1</b>	Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed
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#### Who has conducted the verification

☒ CEO or other Chief-Level staff

	Sign-off or review of responses
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- ☒ Sign-off
- ☒ Review of responses
- ☐ The Board
- ☐ Investment Committee
- ☒ Compliance Function
- ☒ RI/ESG Team
- ☒ Investment Teams
- ☐ Legal Department
- ☐ Other (specify)