

**Aquila Funds Trust**  
**Aquila Investment Management LLC**  
**Proxy Voting Policy**  
**October 2021**

The Aquila Funds Trust (“AFT”) Board of Trustees have delegated to Aquila Investment Management LLC (“AIM”), AFT’s investment adviser, the responsibility to vote proxies relating to the portfolio securities of both Aquila Opportunity Growth Fund (“OGF”) and Aquila High Income Fund (“HIF”), portfolios of AFT, pursuant to this Proxy Voting Policy (“Proxy Voting Policy”). No less frequently than annually, AIM will report to the AFT Board on any recommended changes to the Proxy Voting Policy and on the effectiveness of implementation of this Proxy Voting Policy.

**INTRODUCTION:**

As investment adviser, AIM is responsible for voting proxies with respect to the securities held in accounts of investment companies and, if applicable, other client accounts that have delegated the authority to vote proxies to AIM. AIM serves as investment adviser to portfolios in the equity market as well as in the high yield corporate bond and the municipal markets. AIM currently serves as investment adviser only to 1940 Act mutual funds and does not advise separately managed accounts. OGF routinely holds voting securities in its portfolio while HIF and the municipal bond funds typically do not hold voting securities. Currently voting securities held in the HIF or the Aquila municipal bond funds are limited to money market securities used for cash management purposes.

AIM has established a Proxy Voting Committee (“PVC”) to administer the proxy voting process including: proxy voting notifications, proxy voting research, evaluation of proxy voting recommendations and conflicts of interest (if applicable), formation of proxy voting decisions, casting proxy votes and required recordkeeping, and governance requirements. AIM’s PVC exercises and documents AIM’s responsibility with regard to voting of proxies, including the review and approval of this Proxy Voting Policy and periodic due diligence and appointment of proxy voting advice firms.

The AIM PVC is composed of AIM personnel, including representatives from the Portfolio Management, Portfolio Administration, Fund Administration, and Compliance departments, with input from other relevant departments. AIM’s PVC has the primary responsibility to oversee that voting is consistent with this Proxy Voting Policy and AIM’s operational guidelines for proxy voting. Members of the PVC also conduct research into proxy issues and engage with issuer companies. The PVC has the ultimate responsibility for developing and maintaining this Proxy Voting Policy to determine how to vote the shares in a manner that seeks to maximize the long-term value of the issuer.

## **PHILOSOPHY:**

AIM is a fiduciary that owes each of its clients and, in the case of a Fund, the Fund's shareholders (collectively, the "client(s)"), the duties of care and loyalty with respect to all services undertaken on the client's behalf, including voting proxies for securities held by clients. When AIM has been delegated proxy voting authority for a client, the duty of care requires AIM to monitor corporate events and to vote the proxies. To satisfy its duty of loyalty, AIM must place the client's interests ahead of its own and must cast proxy votes in a manner consistent with the best interest of Fund shareholders. It is AIM's policy to vote proxies presented to AIM in a timely manner in accordance with these principles.

AIM's sole concern in voting proxies is the economic effect of the proposal on the value of portfolio holdings, considering both the short- and long-term impact of the proposal. In many instances, AIM believes that supporting the company's strategy and voting "for" management's proposals builds portfolio value. In other cases, however, proposals set forth by management may have a negative effect on that value, while some shareholder proposals may hold the best prospects for enhancing value.

## **USE OF PROXY VOTING ADVISORS:**

To assist AIM's PVC in its responsibility for voting proxies and the overall administration of the proxy voting process, AIM has retained Institutional Shareholder Services, Inc. ("ISS") as an expert in the proxy voting and corporate governance area. The services provided by ISS include in-depth research, global issuer analysis, and voting recommendations as well as vote execution, reporting and record keeping. To support AIM's PVC in efficiently executing its votes, ISS, simultaneous with issuing its voting recommendations, also automatically populates votes based either on ISS Guidelines or AIM's custom voting guidelines, except for certain ballot items which AIM's PVC elects to vote manually. AIM's votes are executed just prior to the vote deadline, which allows AIM's PVC the opportunity to incorporate changes in ISS voting recommendations or the receipt of additional information from the company or other parties. ISS has processes in place to notify their clients when a company has indicated it will file or has filed a rebuttal to a proxy advisory firm's voting recommendation. While ISS and AIM must acknowledge the receipt of a rebuttal filing from a company and may, consequently change either the recommendation or the vote, neither party is required to make changes based on the receipt of a rebuttal filing.

## **PROXY VOTING PRINCIPLES:**

AIM's PVC reviews ISS's proxy voting guidelines ("ISS Guidelines") and evaluates them in light of the long-term best interests of shareholders. AIM's PVC generally utilizes ISS's guidelines to vote. However, AIM may create custom voting guidelines where its view does not align with ISS guidelines. Furthermore, the AIM PVC may vote differently than ISS's Guidelines suggest, to the extent they believe it is in the best interest of Fund shareholders. In addition, there may be instances where AIM may determine that voting is not in the best interests of Fund shareholders (typically due to costs or to trading restrictions) and will refrain from submitting votes.

AIM seeks to appropriately manage risk by encouraging transparency and focusing on those corporate governance structures that will help protect or promote shareholder value. Just as the investors in the OGF generally have a long-term investment horizon, AIM takes a long-term, measured approach to investment stewardship and the proxy voting process.

In general, AIM believes corporate directors, as the elected representatives of all shareholders, are best positioned to oversee the management of their companies. Accordingly, AIM's PVC typically supports a board of directors' and management's recommendations on proxy matters. In addition, AIM's PVC generally will vote proxies in a manner consistent with the proxy voting recommendations of ISS. However, AIM's PVC does not follow these recommendations (management recommendations and/or ISS recommendations) when it believes doing so would not be in the best interests of Fund shareholders.

It should be noted that the proxy voting guidelines summarized below are only guidelines, not rules, and AIM's PVC reserves the right in all cases to vote contrary to ISS guidelines where doing so is determined to represent the best economic interests of the respective Fund shareholders.

The following is a summary of AIM's proxy voting principles which are grouped according to types of proposals usually presented to shareholders in proxy statements. Although this summary sets forth AIM's position on a number of topics for which proxies may be issued, it is not meant to include all possible voting events or proxy scenarios.

#### **DIRECTORS AND AUDITORS:**

**Directors:** AIM expects boards to be composed of a majority of independent directors and to be responsive to shareholders. AIM also expects directors that serve on a company's nominating, compensation or audit committee to be independent. AIM believes that diversity of background, experience and skills, and personal characteristics (including gender, race, ethnicity and age) meaningfully contribute to a board's ability to make effective decisions on behalf of shareholders. Factors that may result in a vote against one or more directors include:

- The board is not majority independent;
- The board does not have any female directors and has not provided a reasonable explanation for its lack of gender diversity;
- Non-independent directors serve on the nominating, compensation or audit committees;
- Director recently failed to attend at least 75% of meetings or serves on an excessive number of publicly traded company boards;
- Directors approved executive compensation schemes that appear to be misaligned with shareholders' interests; or
- Director recently acted in a manner inconsistent with this Proxy Voting Policy or failed to be responsive to the concerns of shareholders.

**Contested Director Elections:** Directors are sometimes forced to compete against outside nominees proposed by a dissident shareholder (or group of shareholders). AIM's PVC evaluates these situations on a case-by-case basis and votes for the outcome it believes will maximize long-term shareholder value. AIM's PVC considers numerous factors when making its voting decision,

including but not limited to, the qualifications of director nominees, long-term company performance compared to peers, and the dissident's and management's strategic plans for driving improvements.

**Auditors:** AIM typically supports the ratification of auditors unless AIM's PVC believes that the auditors' independence may have been compromised. Factors that may result in a vote against the ratification of auditors include:

- Audit-related fees are less than half of the total fees paid by the company to the audit firm;
- A recent material restatement of annual financial statements; or
- A pattern of inaccurate audits or other behavior that may call into question an auditor's effectiveness.

## **BOARD MATTERS:**

**Classified Boards:** AIM's PVC generally defers to management's recommendation for classified board proposals unless AIM's PVC has particular concerns regarding the board's accountability or responsiveness to shareholders. Factors that may result in a vote supporting a shareholder proposal to de-classify a board include:

- The company did not implement a shareholder proposal that was passed by shareholders at two previous shareholder meetings;
- The company nominated directors for election that did not receive a majority of shareholder support at the previous shareholder meeting;
- The company had material financial statement restatements; or,
- The company's board adopted a Shareholder Rights Plan (a defensive tactic used by a company's board to fight a hostile takeover, commonly referred to as a Poison Pill) during the past year and did not submit it to shareholders for approval.

**Majority Voting:** AIM generally supports majority voting proposals when they call for plurality voting standards in contested elections.

AIM typically supports the concept of voting rights being proportional to shareholders' economic stake in the company. Therefore, AIM's PVC will generally not support cumulative voting proposals unless the company has a controlling shareholder or shareholder group and has plurality voting standards.

**Proxy Access:** AIM typically does not support proxy access proposals unless AIM's PVC has particular concerns regarding the board's accountability or responsiveness to shareholders. Factors that may result in a vote supporting proxy access include:

- The company did not implement a shareholder proposal that was passed by shareholders at two previous shareholder meetings;
- The company nominated directors for election that did not receive a majority of shareholder support at the previous shareholder meeting;

- The company had material financial statement restatements; or
- The company's board adopted a Shareholder Rights Plan during the past year and did not submit it to shareholders for approval.

**Independent Chair:** AIM believes that the board is typically best positioned to determine its leadership structure. Therefore, AIM's PVC will typically not support proposals requiring an independent chair unless AIM's PVC has concerns regarding the board's accountability or responsiveness to shareholders. Factors that may result in a vote supporting a shareholder proposal requiring an independent chair include:

- The company did not implement a shareholder proposal that was passed by shareholders at two previous shareholder meetings;
- The company nominated directors for election that did not receive a majority of shareholder support at the previous shareholder meeting;
- The company had material financial statement restatements; or
- The company's board adopted a Shareholder Rights Plan during the past year and did not submit it to shareholders for approval.

## COMPENSATION:

**Executive Compensation:** AIM generally supports compensation plans that link pay to shareholder returns and believes that management has the best understanding of the level of compensation needed to attract and retain qualified people. At the same time, stock-related compensation plans have a significant economic impact and a direct effect on the balance sheet. Therefore, while AIM does not want to micromanage a company's compensation programs, AIM may place limits on the potential dilution these plans may impose. AIM generally supports advisory votes on executive compensation when the compensation scheme appears aligned with shareholder economic interests and lacks problematic features. Factors that may result in a vote against a company's Executive Compensation proposals include:

- Executive compensation is out of line with industry peers considering the company's performance over time;
- Executive compensation plan includes significant guaranteed bonuses or has a low amount of compensation at risk; or
- Executive compensation plan offers excessive one-time payments, perquisites, tax-gross up provisions, or golden parachutes.

**Equity Compensation Plans:** AIM generally supports stock-based compensation plans when they do not overly dilute shareholders by providing participants with excessive awards and lack problematic features. Factors that may result in a vote against Equity Compensation Plans include:

- Plan's total potential dilution appears excessive;
- Plan's burn rate appears excessive compared to industry peers;
- Plan allows for the re-pricing of options without shareholder approval; or
- Plan has an evergreen feature.

## **OTHER VOTING MATTERS:**

**Changes in Capital Structure:** Changes in a company's corporate charter, articles of incorporation or by-laws are often technical and administrative in nature. Absent a compelling reason to the contrary, AIM's PVC will generally cast its vote in accordance with management's recommendation on such proposals. However, AIM's PVC will review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of a company or that might have a material economic impact on the company. AIM's PVC will generally vote on the issues impacting a company's capital structure on a case-by-case basis, including:

- Mergers and acquisitions;
- Corporate restructurings, including spin-offs, liquidations, asset sales, joint ventures, and conversions to holding companies;
- Debt restructurings;
- Conversion of securities;
- Issuance of shares to facilitate a merger;
- Private placements, warrants, and convertible debentures; and,
- Proposals requiring management to inform shareholders of merger opportunities

AIM believes that proxy votes are an extension of the investment decision-making process. To assess shareholder value associated with the proposed restructuring, AIM's PVC will analyze such proposals on a case-by-case basis, weighing heavily on the views of the research analysts covering the company and the investment professionals managing the portfolio.

**Investment Companies:** The AFT portfolios may invest in shares of registered investment companies (including open-end and exchange-traded funds). The non-corporate structure of these investments raises several unique proxy voting issues.

AIM's PVC will vote for:

- Establishment of new classes or series of shares; and,
- Establishment of a master-feeder structure.

AIM's PVC will vote on a case-by-case basis on:

- Changes in investment policy -- AIM's PVC will normally support changes that do not affect the investment objective or overall risk level of the fund;
- Approval of new or amended advisory contracts;
- Changes from closed-end to open-end format;
- Election of a greater number of independent directors; and,
- Disposition of assets, termination, liquidation, or mergers.

**Environmental and Social Issues:** AIM believes that environmental and social issues may influence corporate performance and economic return. By analyzing all of a company's risks and opportunities, AIM's PVC can better assess its intrinsic value and long-term economic prospects.

When evaluating proxy proposals relating to environmental or social issues, decisions are made on a case-by-case basis. AIM's PVC considers each of these proposals based on the impact to the company's shareholders and economic return, the specific circumstances at each individual company, any potentially adverse economic concerns, and the current policies and practices of the company.

AIM supports proposals where we believe the proposal, if implemented, would improve the prospects for the long-term success of the business and would provide value to the company and its shareholders. AIM's PVC may abstain or vote no on shareholder proposals with regard to environmental and social issues in cases where we believe the proposal, if implemented, would not be in the economic interests of the company, or where implementing the proposal would constrain management flexibility or would be unduly difficult, burdensome or costly. AIM's PVC may also abstain from voting on environmental or social proposals that do not have a readily determinable financial impact on shareholder value.

**Conflicts of Interest:** AIM recognizes that in certain circumstances a conflict of interest may arise when it votes a proxy.

A conflict of interest occurs when an Adviser's interests interfere, or appear to interfere, with the interests of Fund shareholders.

A conflict may be actual or perceived and may exist, for example, when the matter to be voted on concerns:

- An affiliate of the Adviser; or,
- A person with whom the Adviser (or any of its affiliates) has an existing, material contract or business relationships.

Any member of the PVC and any other individual involved in the proxy voting process with knowledge of any apparent or actual conflict of interest must disclose such conflict to the PVC Chair and the Chief Compliance Officer of the Adviser and the Funds. If any individual is lobbied or pressured with respect to any voting decision, he or she should contact a member of the PVC or AIM's Chief Compliance Officer.

The PVC will review each item referred to AIM by the proxy voting service to determine whether an actual or potential conflict of interest exists in connection with the proposal(s) to be voted upon.

If the PVC perceives a material conflict of interest, the PVC will take such actions (in good faith and in consultation with Fund counsel) that would protect the interests of Fund shareholders.

For each referral item, the determination regarding the presence or absence of any actual or potential conflict of interest will be documented in a Conflicts of Interest Report prepared by the PVC Chair.

The PVC will review periodically the independence of ISS. This may include a review of ISS's conflict management procedures and other documentation and an evaluation as to whether the service continues to have the competency and capacity to vote proxies.

**Decisions Not to Vote Proxies:** Although it is AIM's general policy to vote all proxies in accordance with the principles set forth in this policy, there may be situations in which the PVC does not vote a proxy referred to it. For example, if the cost of voting a foreign security outweighs the benefit of voting, the PVC may not vote the proxy. Other examples include:

- The PVC may not be given enough time to process a vote, perhaps because it receives a meeting notice too late in the process;
- If the Adviser has outstanding "sell" orders, the proxies for shares subject to the order may not be voted to facilitate the sale transaction; or,
- Although AIM may hold shares on a company's record date, if the shares are sold prior to the meeting date, the PVC may decide not to vote those shares.

**Proxy Voting Records, Form N-PX and Public Disclosure:** In cases where votes may require additional analysis, the PVC Chair or his or her designee may document the reasoning for the vote using the ISS Proxy Exchange voting platform and supplement the respective Fund's voting records. AIM will rely on the Securities and Exchange Commission's (SEC) EDGAR (Electronic Data Gathering and Retrieval) system to provide proxy statement documentation. AIM's PVC will make all required Form N-PX filings with the SEC on behalf of AFT and will post AFT's Proxy Voting Policy and proxy voting results on the Aquila Group of Funds website located at [www.aquilafunds.com](http://www.aquilafunds.com).