SALT

1. Rationale for Engagement

Salt is an active fund manager where stewardship and corporate engagement are at the heart of the investment process to enhance long-term shareholder value.

Salt believes engagement activities encourage enhanced information flows between investors and investees as the parties discuss and debate issues, allowing both parties to learn from each other and build valuable relationships.

We expect companies to engage with us, understand our viewpoints, and make progress over time towards meeting our expectations. We acknowledge the level of engagement may depend on our shareholding size. However, a company's willingness to engage is often a reflection of the overall quality of management and the board.

2. Alignment with investment strategy and overarching RI strategy

ESG is integrated into the investment process through qualitative and quantitative bottom-up research and considering macro themes and scenarios. As an active manager, engagement is an important tool in Salt's investment process on ESG and non-ESG factors. As part of Salt's Responsible Investment Policy, engagement enables Salt to interact on relevant risks and opportunities that could impact the long-term sustainability of a company's business model and value to shareholders.

Every engagement activity enriches Salt's knowledge of different ESG issues and opportunities that could impact other companies.

To prioritise issues and opportunities associated with ESG, Salt uses a materiality framework.

The information gained from engagement activities feeds into the investment process in two ways. Firstly, it impacts our assumptions for specific line items, in the company model. Secondly, Salt's ESG score for the respective company, which feeds into the factor score and stock ranking.

3. Scope of engagement

This policy applies to the possible investment universe of internally managed Salt funds. It also allows for engagement with other parties, including regulators.

Where Salt does not have the in-house expertise to manage an asset class, it appoints underlying managers consistent with Salt's approach. ESG integration, including engagement, is a significant part of the due diligence process when Salt selects a manager.

4. Engagement policy governance

ESG is integrated across Salt's investment process, so all involved have a responsibility to adhere to the engagement policy.

Salt maintains an engagement register to capture and track ESG engagements. The Investment Team, made up of Portfolio Managers, Chief Investment Officer, Analysts and ESG Advisor, contribute to the register.

Salt investment team members disclose whether there is an actual, potential, or perceived conflict of interest so the appropriate course of action can be determined.

The Engagement Policy is reviewed annually.

5. Engagement Resources

Salt uses internal propriety research in its investment process, not relying on third-party research or service providers.

ESG and associated company engagements are the investment team's responsibility, supported by dedicated ESG resource.

External managers appointed by Salt have their own dedicated ESG resource.

6. Engagement processes

Salt's investment team monitors companies' ESG practices over time as part of its bottom-up research process and as significant global themes are identified.

For the most part, engagement activity is proactive but can be reactive in response to an event occurring or media coverage.

The objective of engagements can be information-driven to understand a company's current ESG performance better or specifically to address identified issues.

Proactive engagements are the outcome of internal analysis identifying material ESG risks and opportunities. Salt prioritises proactive engagements depending on the magnitude and perceived urgency.

Engagement activities can occur in many ways depending on what is determined appropriate for the engagement's objective. These include emails or letters, face-to-face meetings, phone or video calls, and collaborative engagement initiatives with other investors.

Engagement activities are recorded and tracked in the internal engagement register.

7. Escalation Strategy

Salt believes constructive and private engagement with companies is generally the optimal way to positively influence corporate behaviour, while maintaining relationships with the mutual goal of delivering long-term value. However, sometimes engagement activities fail, and Salt may need to take additional steps, depending on the engagement's objective. Possible steps include:

- Additional meetings with management to discuss concerns.
- Express concerns through company advisors.
- Meet with the Chair or other board members.
- Collaborate with other institutions on particular issues.
- Making a public statement in advance of general meetings.
- Submitting resolutions and/or speaking at general meetings.
- Voting against resolutions and communicating the rationale to management and/or Chair.
- Request a change in board membership.

Depending on the magnitude of the underlying issue of engagement, Salt can escalate engagement along a ladder of additional steps, which include:

- Writing a formal letter setting out concerns to the Chair. If this is ineffective, the letter could be shared publicly.
- Seeking dialogue with other stakeholders.
- Taking concerns public in the media or some other form.
- Seeking governance improvements through legal remedies.
- If all other efforts are exhausted, divestment.

8. Reporting

Reporting on engagement activities is included in bespoke client reports.