

# HERALD INVESTMENT TRUST PLC

## Schedule of Matters Reserved for the Board

Approved by the Board on 17 February 2022.

### **Introduction**

The board consists of non-executive directors. The Company has contractually delegated the provision of key services to third parties. However, the board remains responsible for the overall oversight and strategy of the Company and, in particular, is responsible for the matters described in this schedule.

The board holds quarterly meetings and other meetings as and when deemed necessary to deal with relevant matters.

### **1. Strategy and Management**

- 1.1 Responsibility for overall management of the Company;
- 1.2 Approving the Company's long term objectives and commercial strategy;
- 1.3 Approving the annual operating budgets and any material changes to them;
- 1.4 Review of the investment performance, both in absolute terms and relative to agreed benchmarks and peer groups;
- 1.5 Consider share price performance against the Company's net asset value;
- 1.6 Monitor associated matters such as gearing, asset allocation, attribution analysis, marketing/investor relations, peer group information and environmental, social and governance issues;
- 1.7 Assess the basis on which the Company generates and preserves value over the long term;
- 1.8 Review of the performance of key service providers, including the investment manager;
- 1.9 Consider any change to the investment policy or investment objectives and proposing any material changes to the investment policy to shareholders for approval;
- 1.10 Consider and address opportunities and risks to the future success of the business;
- 1.11 Assess and monitor its own culture, including its policies, practices and behaviour to ensure it is aligned with the Company's purpose, values and strategy;
- 1.12 Consider any cash management, banking arrangement, or debt facility as deemed appropriate;
- 1.13 Consider any delegated authority to the investment manager in particular with regard to any circumstances in which the investment manager should refer to the board for approval before undertaking transactions;

- 1.14 Agree a policy with the investment manager regarding voting and corporate governance issues in respect of the Company's holdings, taking into account the recommendations of the UK Stewardship Code;
- 1.15 Overseeing the Investment Manager's and other key third party service providers' operations ensuring:
  - competent and prudent investment and administrative management;
  - sound planning;
  - an adequate system of internal control and risk controls;
  - adequate accounting, investment administration, statutory and other records; and
  - compliance with statutory and regulatory obligations.
- 1.16 Reviewing performance in the light of the Company's strategy, investment policy, financials and ensuring that any necessary corrective action is taken;
- 1.17 Extending the Company's activities into new business or geographic areas;
- 1.18 Appointing or removing the investment manager and/or designated investment manager;
- 1.19 Any decision relating to the continued existence of the Company; and
- 1.20 Agree a procedure for the investment manager to report back to the board.

## **2. Share Capital**

- 2.1 Consider changes to the Company's share capital or structure, including reduction of capital, share issues and share buy backs (including the use of treasury shares) and seek authority from shareholders as appropriate;
- 2.2 Within the authority granted by the shareholders, identify the parameters within which shares would be issued or bought back and advise the brokers and other service providers accordingly;
- 2.3 Consider changes to the Company's listing status and changes relating to the Company's status as an investment trust; and
- 2.4 Determine any discount and premium management strategies.

## **3. Financial Reporting**

Following the recommendation of the audit committee:

- 3.1 Approve the half-yearly and annual financial results announcements;
- 3.2 Approve the half-yearly and annual report and accounts and any contents therein;
- 3.3 Determine whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

- 3.4 Where appropriate, approve interim dividends and recommendation of final dividends and any dividend policy;
- 3.5 Approve any significant changes in accounting policies or practices;
- 3.6 Approve any changes to the apportionment of expenses between capital and income;
- 3.7 Approving any treasury policies (including foreign currency exposure and the use of financial derivatives); and
- 3.8 Approving the gearing policy.

#### **4. Internal Controls**

In conjunction with the audit committee:

- 4.1 Ensure maintenance of a sound system of internal controls and risk management, including a robust assessment of the Company's emerging and principal risks;
- 4.2 Review control reports of the investment manager, administrator and depository;
- 4.3 Ensure an annual assessment of the controls of the above service providers is conducted;
- 4.4 Ensure a statement on internal controls and risk management is made in the annual Report; and
- 4.5 Approve procedures for the detection of fraud, tax evasion and the prevention of bribery and to ensure procedures are in place with each of the service providers.

#### **5. Contracts**

- 5.1 Review all material contracts entered into or terminated by the Company, including with the investment manager;
- 5.2 Appointment or removal of the Company secretary;
- 5.3 Appointment or removal of the auditor to be put to shareholders for approval;
- 5.4 Approve the appointment of the Company's principal professional advisers; and
- 5.5 Consider any litigation by or against the Company.

#### **6. Communication**

- 6.1 Approving resolutions and corresponding documentation to be put forward to shareholders at a general meeting;
- 6.2 Approving press releases concerning matters decided by the board;
- 6.3 Approve all circulars, prospectuses and listing particulars;
- 6.4 Engage with shareholders to gain a clear understanding of shareholder views;

- 6.5 Ensuring that marketing, promotion and investor relations are conducted professionally, efficiently and cost effectively;
- 6.6 Ensuring that shareholders are provided with sufficient information for them to understand the risk : reward balance to which they are exposed by holding shares in the Company;
- 6.7 Regularly monitor the Company's shareholder profile and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders;
- 6.8 Engage with key service providers in order to gain a clear understanding of their views or concerns and to gain a close working relationship; and
- 6.9 Consider marketing and PR strategies.

## **7. Board**

In conjunction with the Company's various committees, to:

- 7.1 Determine changes to the structure, size or composition of the board;
- 7.2 Review succession planning and tenure policy of the board and chairman;
- 7.3 Determine appointments to the board and to consider the engagement of an external search consultant or the use of open advertisement in seeking the appointment of new board members;
- 7.4 Approve the selection of the chairman;
- 7.5 Consider the appointment of a senior independent director ('SID') and, if not appointed, the reason why not for inclusion in the annual report;
- 7.6 Considering and approving the membership and chairmanship of board committees;
- 7.7 Determine insurance cover requirements for the board;
- 7.8 Evaluate the board's performance and act on its findings;
- 7.9 Determine the division of responsibilities between the board, chairman, SID and committees;
- 7.10 Consider the independence of each director and ensure directors devote adequate time to fulfil their duties and these are aligned to shareholder expectations;
- 7.11 Consider the election or re-election of each board member and provide specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success; and
- 7.12 Identify and manage directors' conflicts of interest and ensure that the influence of third parties does not compromise or override independent judgement.

## **8. Board Committees**

- 8.1 Delegate certain of its authority to a committee or individual in accordance with the Company's Articles of Association;
- 8.2 Approve terms of reference for each committee; and
- 8.3 Receive reports from each committee.

## **9. Remuneration**

The board should:

- 9.1 Review the Company's remuneration policy annually, and ensure this is put to shareholders for approval at least every three years; and
- 9.2 Determine the remuneration of directors, subject to the Articles of Association and shareholder approval, as appropriate.

## **10. Corporate Governance**

- 10.1 Review of the Company's corporate governance processes and arrangements, including its suite of policies;
- 10.2 Considering and authorising (if appropriate) direct or indirect interests of directors that conflict, or possibly may conflict, with the interests of the Company;
- 10.3 Ensuring full disclosure of information about the board, such as that required by the AIC Code of Corporate Governance, Companies Act 2006, the UK Listing Rules and other relevant regulation and legislation, in Regulatory Information Service announcements, the annual and half-yearly financial reports and shareholder circulars; and
- 10.4 Consider s172 of the Companies Act 2006 in board discussions and decision-making, which includes:
  - (a) The likely consequences of any decision in the long term;
  - (b) The need to foster the Company's business relationships with suppliers, shareholders and others;
  - (c) The impact of the Company's operations on the community and the environment;
  - (d) The desirability of the Company maintaining a reputation for high standards of business conduct; and
  - (e) The need to act fairly as between members of the Company.

## **11. Other**

- 11.1 Any other matters, which the board deems to be appropriate for its reservation; and
- 11.2 Review at least annually this schedule of matters reserved for the board.