



PUBLIC TRANSPARENCY REPORT

2023

Herald Investment Management Limited

Generated 15-12-2023

About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2023 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

Disclaimers

Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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SENIOR LEADERSHIP STATEMENT (SLS)

SENIOR LEADERSHIP STATEMENT

SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

We believe that good ESG practices are generally consistent with delivering better financial performance. The UK Stewardship Code and the UN-supported Principles for Responsible Investment (PRI) recognise that institutional investors have a duty to act in the best long-term interests of their beneficiaries. Herald shares the belief underlying the Principles, namely that ESG issues affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). At Herald, we believe that successful investing is about identifying, and owning for the long-term, companies that can sustainably generate excess returns on capital for years to come. Our objectives are to achieve attractive returns over the medium-to-long term whilst minimising the risk of permanent capital loss for our clients.

To achieve this, we seek to identify and invest in high quality companies that are trading below our assessment of their long-term value. It is within our assessment of a company's quality that ESG factors play an important role. As long-term investors, an assessment of ESG risks and opportunities are an inherent part of our investment process. Gaining a robust understanding of these issues is a key part of assessing the outlook for future cash flow generation and risks of an investment. As long term owners we aim to act as responsible stewards of our clients' investment by exercising our proxy voting rights and having open dialogue with portfolio companies on a broad range of issues, including ESG-related issues. It is with these engagements with our investee companies that we aim to enact positive changes to ensure that all the companies we invest in are well governed, do not have disastrous environmental impacts and ensure that other stakeholders in their business, including employees have their rights upheld.

Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
 - refinement of ESG analysis and incorporation
 - stewardship activities with investees and/or with policymakers
 - collaborative engagements
 - attainment of responsible investment certifications and/or awards

Since the founding of Herald in 1994, we have been long term investors in small quoted, growth companies and taken responsibility for the stewardship of our investors assets whilst providing over £600m of primary capital to finance growth. Furthermore, the majority of assets under management are an investment in which only £95m of capital has been raised and none since 1996. It is in this mandate that over £600m has been invested as primary capital to fund businesses. Within the last year we have continued to provide this supportive financing and refined our Stewardship Approach and Policy to comply with the UK Stewardship Code 2020, recently submitting our third report under the new code. Herald also evolved its approach to ESG integration in the investment process. For many years one member of the team was primarily responsible for proxy votes. This has now been delegated to the regional managers of the funds, and where issues are contentious are discussed within the team to broaden the team's expertise. As before an explanation as to why votes diverge from management recommendations or ISS, a full explanation is given to the intermediate clients. We also analysed the ESG data available within Bloomberg and Eikon and refined some of our Excel based analytical templates, at present there is very limited ESG data available and an ever expanding range of potential ESG fields which can be analysed. The data was compared with previous years findings.

There continues to be limited real carbon emissions data available for the companies within our portfolio, however there is a marginal improvement. We managed to calculate emissions figures using a combination of actual and estimated data from Bloomberg. However we are wary of large inaccuracies of some of the estimates and assumptions which are involved in estimated CO2 data. This highlights the importance of getting access to reliable data whilst ensuring smaller, less environmentally exposed businesses aren't unnecessarily burdened with excessive costs. As a result of this we carried out an environmental risk analysis of our portfolio based around the portfolio's exposure to certain sectors and created an engagement process as a way of engaging with those company's which have the highest risk.

Our engagement will involve us encouraging the most carbon intensive businesses to disclose their emissions. This allowed us to incorporate the principle of materiality whilst ensuring the cost to benefit of engaging with our investee's on pertinent environmental topics was well balanced. Due to the Technology, Media and Telecommunications focus of the investment manager the carbon footprint is a fraction of the typical large company indices in the UK and US – the remit implicitly excludes companies in the most environmentally damaging sectors.

In early 2021 Herald became a signatory to TCFD and in 2023 we completed our first TCFD report with the help of external consultants. Herald was a significant contributor to the QCA Remuneration Committee Guide which is the key document that Remuneration Committee Chairmen refer to when setting remuneration policies for UK AIM listed companies. In 2023 Herald is contributing to the updating of the QCA Corporate Governance Code – the most commonly used governance code used by UK small companies. We maintain our commitment to responsible investing, and we will continue to review and evolve our approach to responsible investment. We have been abiding by the UK Stewardship Code since 2010 and in January 2020, we became signatories of the United Nations-sponsored Principles of Responsible Investment (PRI). We are continually evaluating the most balanced and efficacious way for small companies to adopt climate risk reporting.

Herald's ongoing Responsible Investment objectives are to assess material ESG risks as part of the investment process; and to act as responsible owners by engaging with portfolio companies where a material ESG issue exists. We have been active in exercising our investors proxy voting rights for many years and we endeavour to exercise our clients' votes at every opportunity.

Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

- Write corresponding reports relating to our responsible investing activities including that for the Stewardship Code, PRI and TCFD
- Continue to engage with investee companies on most important issues related to governance, the environment and social issues
- Although we are aware of the lack of data and difficulties with the collection of the data efficiently for small companies, a small fraction of the fields we aim to track, interpret and take into consideration, in particular are:
 - o Environment: Scope 1, 2 & 3 Emissions, Water Consumption, Waste Generation, Net Zero Aspirations, SBTI Targets, Emission Reduction Policies, Energy/Water Efficiency Policies, Biodiversity Policies
 - o Social: Employee Turnover, Workforce Accidents, Workforce Fatalities, Women In Workforce and Management, Health and Safety Policy, Child Labour Policy, Supply Chain Management, Quality Assurance Policy, I.P Property Rights, Critical/Conflict Mineral Policy, Anti Bribery Policy, Equal Opportunity Policy, Consumer Data Protection, Human Rights, Ethics Policy, Anti Bribery Policy.

Discussions about staff retention, staff retention by function and pay rises are always central to discussions with management. It is inappropriate to simply look at a % figure for either staff churn or pay, because employment conditions vary by town. The key is keeping and developing skilled roles. A high turnover in the salesforce might denote challenges in earning commissions denoting competitive challenges. There many more nuanced insights indicating how well managed a company is.

 - o Governance: Board Size, % Independent Directors, % Women On Board, % Women Management, Board Meeting Attendance, CEO and Executives Salaries and Stock Awards, CEO Duality and CEO Founders, Poison Pill Plans and Executive Compensation Clawback Provisions.
- Set targets related to the coverage of companies which have actual GHG emissions data
- Assess and interpret a wide variety of data from different providers to ensure suitability and review accuracy of outputs
- Continue to assess viability, effectiveness and compliance with various global responsible investing initiatives such as the UN's Sustainable Development Goals and UN Global Compact Principles.

Section 4. Endorsement

'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.

Name

Katie Potts

Position

Managing Director

Organisation's Name

Herald Investment Management Limited

● A

'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.

○ B

ORGANISATIONAL OVERVIEW (OO)

ORGANISATIONAL INFORMATION

REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	31	12	2022

SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- ☐ (A) Yes
- ☒ (B) No

ASSETS UNDER MANAGEMENT

ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 1,651,000,000.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	>75%	0%
(B) Fixed income	0%	0%
(C) Private equity	>0-10%	0%
(D) Real estate	0%	0%
(E) Infrastructure	0%	0%
(F) Hedge funds	0%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	>10-50%	0%
(J) Off-balance sheet	0%	0%

(I) Other - (1) Percentage of Internally managed AUM - Specify:

Cash & Liquid Assets

ASSET BREAKDOWN: INTERNALLY MANAGED LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 LE	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed listed equity	GENERAL

Provide a further breakdown of your internally managed listed equity AUM.

(A) Passive equity	0%
(B) Active – quantitative	0%

(C) Active – fundamental >75%

(D) Other strategies 0%

ASSET BREAKDOWN: INTERNALLY MANAGED PRIVATE EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 PE	CORE	OO 5	N/A	PUBLIC	Asset breakdown: Internally managed private equity	GENERAL

Provide a further breakdown of your internally managed private equity AUM.

(A) Venture capital 0%

(B) Growth capital 0%

(C) (Leveraged) buy-out 0%

(D) Distressed, turnaround or
special situations 0%

(E) Secondaries 0%

(F) Other >75%

(F) Other - Specify:

The unquoted securities we manage are typically convertible bonds or preferred stock related to listed securities we own.

GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

How much of your AUM in each asset class is invested in emerging markets and developing economies?

AUM in Emerging Markets and Developing Economies

(A) Listed equity	(1) 0%
(F) Private equity	(1) 0%

STEWARDSHIP

STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

	(1) Listed equity - active	(5) Private equity	(11) Other
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(D) We do not conduct stewardship ☐ ☐ ☐

STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship: (Proxy) voting	GENERAL

Does your organisation conduct (proxy) voting activities for any of your listed equity holdings?

(1) Listed equity - active

(A) Yes, through internal staff ☒

(B) Yes, through service providers ☐

(C) Yes, through external managers ☐

(D) We do not conduct (proxy) voting ☐

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9.1	CORE	OO 9	PGS 10.1, PGS 31	PUBLIC	Stewardship: (Proxy) voting	GENERAL

For each asset class, on what percentage of your listed equity holdings do you have the discretion to vote?

Percentage of your listed equity holdings over which you have the discretion to vote

(A) Listed equity – active (12) 100%

ESG INCORPORATION

INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors into your investment decisions?

	(1) Yes, we incorporate ESG factors into our investment decisions	(2) No, we do not incorporate ESG factors into our investment decisions
(C) Listed equity - active - fundamental	<input checked="" type="radio"/>	<input type="radio"/>
(I) Private equity	<input checked="" type="radio"/>	<input type="radio"/>
(V) Other: Cash & Liquid Assets	<input checked="" type="radio"/>	<input type="radio"/>

ESG IN OTHER ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 15	CORE	OO 11, OO 12–14	N/A	PUBLIC	ESG in other asset classes	1

Describe how your organisation incorporates ESG factors into the following asset classes.

Internally managed
(C) Other

N/a

ESG STRATEGIES

LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 LE	CORE	OO 11	OO 17.1 LE, LE 12	PUBLIC	Listed equity	1

Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active listed equity?

Percentage out of total internally managed active listed equity

(A) Screening alone	0%
(B) Thematic alone	0%
(C) Integration alone	>75%
(D) Screening and integration	0%
(E) Thematic and integration	0%
(F) Screening and thematic	0%
(G) All three approaches combined	0%
(H) None	0%

ESG/SUSTAINABILITY FUNDS AND PRODUCTS

LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

- ☐ (A) Yes, we market products and/or funds as ESG and/or sustainable
- ☒ (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- ☐ (C) Not applicable; we do not offer products or funds

SUMMARY OF REPORTING REQUIREMENTS

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(C) Listed equity – active – fundamental	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(I) Private equity	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

SUBMISSION INFORMATION

REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- ☐ (A) Publish as absolute numbers
- ☒ (B) Publish as ranges

POLICY, GOVERNANCE AND STRATEGY (PGS)

POLICY

RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- ☒ (A) Overall approach to responsible investment
- ☒ (B) Guidelines on environmental factors
- ☒ (C) Guidelines on social factors
- ☒ (D) Guidelines on governance factors
- ☒ (E) Guidelines on sustainability outcomes
- ☒ (F) Guidelines tailored to the specific asset class(es) we hold
- ☒ (G) Guidelines on exclusions
- ☐ (H) Guidelines on managing conflicts of interest related to responsible investment
- ☒ (I) Stewardship: Guidelines on engagement with investees
- ☐ (J) Stewardship: Guidelines on overall political engagement
- ☐ (K) Stewardship: Guidelines on engagement with other key stakeholders
- ☒ (L) Stewardship: Guidelines on (proxy) voting
- ☐ (M) Other responsible investment elements not listed here
- ☐ (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- ☒ (A) **Specific guidelines on climate change (may be part of guidelines on environmental factors)**
- ☐ (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- ☐ (C) Specific guidelines on other systematic sustainability issues
- ☐ (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

Which elements of your formal responsible investment policy(ies) are publicly available?

- ☒ (A) **Overall approach to responsible investment**
Add link:
https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf
- ☒ (B) **Guidelines on environmental factors**
Add link:
https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf
- ☒ (C) **Guidelines on social factors**
Add link:
https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf
- ☒ (D) **Guidelines on governance factors**
Add link:
https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf
- ☐ (E) Guidelines on sustainability outcomes
- ☒ (F) **Specific guidelines on climate change (may be part of guidelines on environmental factors)**
Add link:
https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf
- ☒ (I) **Guidelines tailored to the specific asset class(es) we hold**
Add link:
https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf
- ☒ (J) **Guidelines on exclusions**

Add link:

https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf

☒ **(L) Stewardship: Guidelines on engagement with investees**

Add link:

https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf

☒ **(O) Stewardship: Guidelines on (proxy) voting**

Add link:

https://heralduk.com/wp-content/uploads/2023/08/HIML-ESG-Incorporation_Engagement-2023.pdf

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?

☒ **(A) Yes**

Elaborate:

We believe that good ESG practices can be consistent with delivering better financial performance when effectively implemented. The UK Stewardship Code and the UN-supported Principles for Responsible Investment (PRI) recognise that institutional investors have a duty to act in the best long-term interests of their beneficiaries. Herald shares the belief underlying the Principles, namely that ESG issues affect the performance of investment portfolios and wider society (to varying degrees across companies, sectors, regions, asset classes and through time).

At Herald, we believe that successful investing is about identifying, and owning for the long-term, companies that can sustainably generate excess returns on capital for years to come.

Our objectives are to achieve attractive returns over the medium-to-long term whilst minimising the risk of permanent capital loss for our clients. To achieve this, we seek to identify and invest in high quality companies that are trading below our assessment of their value.

It is within our assessment of a company's quality that ESG factors play an important role. As responsible, long-term investors, an assessment of ESG risks and opportunities are an inherent part of our investment process as gaining a robust understanding of these issues is a key part of assessing the outlook for future cash flow generation and risks of an investment.

As long-term owners we aim to act as responsible stewards of our clients' investment by exercising our proxy voting rights and having open dialogue with portfolio companies on a broad range of issues, including ESG-related issues.

Over the years, we have taken steps that highlight our commitment to responsible investing, and we will continue to review and evolve our approach to responsible investment.

We have a signatory to the UK Stewardship Code since 2010 and in became signatories to the 2020 Stewardship Code in 2021, and in January 2021 we became signatories of the United Nations-sponsored Principles of Responsible Investment (PRI), the globally recognised accord for responsible investment.

It is apparent from discussions with investee companies that the extra focus on ESG has generally led to material costs, in the companies with a market value below \$3bn, and a significant burden on management time. This has led to a headwind on profits growth for shareholders over the last few years. However, much of the costs relates to implementing systems to document and measure required parameters, and we expect the burden to shrink over time, and if all companies incur similar cost it will inevitably be passed on to customers in price rises, thereby not at shareholders expense. Furthermore it is hoped that short term pain will lead to long term gain, and good ESG practices will benefit companies supplying quality customers with similar standards.

Herald's ongoing Responsible Investment objectives are:

- ☐ To assess material ESG risks as part of the investment process; and
- ☐ To act as responsible owners by engaging with portfolio companies where a material ESG issue exists and exercising our proxy voting rights where appropriate
- ☐ To identify portfolio companies with high CO2 emission risk and encourage reporting and reduction in line with TCFD guidance through engagement.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?

- ☒ (A) Overall stewardship objectives
- ☒ (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- ☒ (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- ☒ (D) How different stewardship tools and activities are used across the organisation
- ☒ (E) Approach to escalation in stewardship
- ☒ (F) Approach to collaboration in stewardship
- ☐ (G) Conflicts of interest related to stewardship
- ☒ (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- ☐ (I) Other
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 6	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

Does your policy on (proxy) voting include voting principles and/or guidelines on specific ESG factors?

- ☒ (A) Yes, it includes voting principles and/or guidelines on specific environmental factors
- ☐ (B) Yes, it includes voting principles and/or guidelines on specific social factors
- ☒ (C) Yes, it includes voting principles and/or guidelines on specific governance factors
- (D) Our policy on (proxy) voting does not include voting principles or guidelines on specific ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 7	CORE	OO 9	N/A	PUBLIC	Responsible investment policy elements	2

Does your organisation have a policy that states how (proxy) voting is addressed in your securities lending programme?

- (A) We have a publicly available policy to address (proxy) voting in our securities lending programme
- (B) We have a policy to address (proxy) voting in our securities lending programme, but it is not publicly available
- (C) We rely on the policy of our external service provider(s)
- (D) We do not have a policy to address (proxy) voting in our securities lending programme
- (E) Not applicable; we do not have a securities lending programme

RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment	
(B) Guidelines on environmental factors	(7) 100%
(C) Guidelines on social factors	
(D) Guidelines on governance factors	

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?

AUM coverage

(A) Specific guidelines on climate change

(1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?

☒ (A) Listed equity

(1) Percentage of AUM covered

- ☐ (1) >0% to 10%
- ☐ (2) >10% to 20%
- ☐ (3) >20% to 30%
- ☐ (4) >30% to 40%
- ☐ (5) >40% to 50%
- ☐ (6) >50% to 60%
- ☐ (7) >60% to 70%
- ☐ (8) >70% to 80%
- ☐ (9) >80% to 90%
- ☐ (10) >90% to <100%

☒ (11) 100%

☒ (C) Private equity

(1) Percentage of AUM covered

- ☐ (1) >0% to 10%
- ☐ (2) >10% to 20%
- ☐ (3) >20% to 30%
- ☐ (4) >30% to 40%
- ☐ (5) >40% to 50%
- ☐ (6) >50% to 60%
- ☐ (7) >60% to 70%
- ☐ (8) >70% to 80%
- ☐ (9) >80% to 90%
- ☐ (10) >90% to <100%

☒ (11) 100%

☒ (I) Other

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10.1	CORE	OO 9.1, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

What percentage of your listed equity holdings is covered by your guidelines on (proxy) voting?

☒ (A) Actively managed listed equity

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

GOVERNANCE

ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?

- ☒ (A) Board members, trustees, or equivalent
☒ (B) Senior executive-level staff, or equivalent

Specify:

Managing Director

- ☐ (C) Investment committee, or equivalent
☐ (D) Head of department, or equivalent
☐ (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?

(1) Board members, trustees, or equivalent

(2) Senior executive-level staff, investment committee, head of department, or equivalent

(A) Overall approach to responsible investment



(B) Guidelines on environmental, social and/or governance factors



(C) Guidelines on sustainability outcomes



(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?

- ☐ (A) Yes
- ☐ (B) No
- ☒ (C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?

☒ (A) Internal role(s)

Specify:

All investment analyst roles and managers are responsible for implementing our approach to responsible investment on a daily basis as it is integrated into our investment strategy, albeit with accountability to the Board, and the Boards of the intermediate clients.

☐ (B) External investment managers, service providers, or other external partners or suppliers

☐ (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?

☐ (A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

☒ (B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Explain why: (Voluntary)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?

☐ (A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

☒ (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Explain why: (Voluntary)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 15	PLUS	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

What responsible investment competencies do you regularly include in the training of senior-level body(ies) or role(s) in your organisation?

	(1) Board members, trustees or equivalent	(2) Senior executive-level staff, investment committee, head of department or equivalent
(A) Specific competence in climate change mitigation and adaptation	<input type="checkbox"/>	<input type="checkbox"/>
(B) Specific competence in investors' responsibility to respect human rights	<input type="checkbox"/>	<input type="checkbox"/>
(C) Specific competence in other systematic sustainability issues	<input type="checkbox"/>	<input type="checkbox"/>
(D) The regular training of this senior leadership role does not include any of the above responsible investment competencies	<input checked="" type="radio"/>	<input checked="" type="radio"/>

EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- ☒ (A) Any changes in policies related to responsible investment
- ☒ (B) Any changes in governance or oversight related to responsible investment
- ☒ (C) Stewardship-related commitments
- ☒ (D) Progress towards stewardship-related commitments
- ☐ (E) Climate-related commitments
- ☐ (F) Progress towards climate-related commitments
- ☐ (G) Human rights-related commitments
- ☐ (H) Progress towards human rights-related commitments
- ☐ (I) Commitments to other systematic sustainability issues
- ☐ (J) Progress towards commitments on other systematic sustainability issues
- ☐ (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- ☒ (A) Yes, including all governance-related recommended disclosures
- ☒ (B) Yes, including all strategy-related recommended disclosures
- ☒ (C) Yes, including all risk management-related recommended disclosures
- ☐ (D) Yes, including all applicable metrics and targets-related recommended disclosures
- ☐ (E) None of the above

Add link(s):

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?

- ☐ (A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)
- ☐ (B) Disclosures against the European Union's Taxonomy
- ☐ (C) Disclosures against the CFA's ESG Disclosures Standard

☒ **(D) Disclosures against other international standards, frameworks or regulations**

Specify:

TCFD

Link to example of public disclosures

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

☒ **(E) Disclosures against other international standards, frameworks or regulations**

Specify:

UK Stewardship Code

Link to example of public disclosures

<https://heralduk.com/wp-content/uploads/2022/09/Herald-Investment-Management-Stewardship-Report-2021-Submitted.pdf>

☐ (F) Disclosures against other international standards, frameworks or regulations

☐ (G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?

☒ **(A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement**

Add link(s):

<https://heralduk.com/responsible-investing/>

☐ (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

- (C) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year

STRATEGY

CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

- ☐ (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services
- ☐ (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- ☐ (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- ☐ (D) Exclusions based on our organisation's climate change commitments
- ☒ (E) Other elements
 - Specify:

US Sanctioned Securities

- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

How does your responsible investment approach influence your strategic asset allocation process?

- ☒ (A) We incorporate ESG factors into our assessment of expected asset class risks and returns
 - Select from dropdown list:
 - ☒ (1) for all of our AUM subject to strategic asset allocation
 - ☐ (2) for a majority of our AUM subject to strategic asset allocation
 - ☐ (3) for a minority of our AUM subject to strategic asset allocation
- ☐ (B) We incorporate climate change–related risks and opportunities into our assessment of expected asset class risks and returns
- ☐ (C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns
- ☐ (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☐ (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☐ (F) Not applicable; we do not have a strategic asset allocation process

STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

	(1) Listed equity	(3) Private equity
(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?

We focus our efforts based on materiality. For example: Where our ownership in the investee is greater measured on an absolute or percentage basis; Where the scale of the divergence from best practice is greatest, where the impact on the returns for our investors is most significant; Where the damage to environmental or social factors is most profound.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?

- ☐ (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- ☒ (B) We collaborate on a case-by-case basis
- ☐ (C) Other
- ☐ (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Rank the channels that are most important for your organisation in achieving its stewardship objectives.

- ☒ (A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff
 - Select from the list:
 - ☒ 1
 - ☐ 4
 - ☐ 5
- ☐ (B) External investment managers, third-party operators and/or external property managers, if applicable
- ☒ (C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers
 - Select from the list:
 - ☒ 2
 - ☐ 4
 - ☐ 5
- ☒ (D) Informal or unstructured collaborations with investors or other entities
 - Select from the list:
 - ☒ 3
 - ☐ 4
 - ☐ 5
- ☐ (E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar
- ☐ (F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How are your organisation's stewardship activities linked to your investment decision making, and vice versa?

If after engagement with an investee company with regards to an issue covered by our Stewardship or ESG integration approach, we are unable to resolve a material issue we are likely to divest.

STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 29	CORE	OO 9, PGS 1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

When you use external service providers to give recommendations, how do you ensure those recommendations are consistent with your organisation's (proxy) voting policy?

☒ **(A) Before voting is executed, we review external service providers' voting recommendations for controversial and high-profile votes**

Select from the below list:

- ☒ **(1) in all cases**
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases

☒ **(B) Before voting is executed, we review external service providers' voting recommendations where the application of our voting policy is unclear**

Select from the below list:

- ☒ **(1) in all cases**
- ☐ (2) in a majority of cases
- ☐ (3) in a minority of cases
- ☐ (D) We do not review external service providers' voting recommendations
- ☐ (E) Not applicable; we do not use external service providers to give voting recommendations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 30	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

How is voting addressed in your securities lending programme?

- ☐ (A) We recall all securities for voting on all ballot items
- ☐ (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting
- ☐ (C) Other
- ☐ (D) We do not recall our securities for voting purposes
- ☒ (E) Not applicable; we do not have a securities lending programme

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 31	CORE	OO 9.1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

For the majority of votes cast over which you have discretion to vote, which of the following best describes your decision making approach regarding shareholder resolutions (or that of your external service provider(s) if decision making is delegated to them)?

- ☒ (A) We vote in favour of resolutions expected to advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment
- ☐ (B) We vote in favour of resolutions expected to advance progress on our stewardship priorities, but only if the investee company has not already publicly committed to the action(s) requested in the proposal
- ☐ (C) We vote in favour of shareholder resolutions only as an escalation measure
- ☐ (D) We vote in favour of the investee company management's recommendations by default
- ☐ (E) Not applicable; we do not vote on shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 32	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

During the reporting year, how did your organisation, or your external service provider(s), pre-declare voting intentions prior to voting in annual general meetings (AGMs) or extraordinary general meetings (EGMs)?

- ☐ (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system on the Resolution Database
- ☐ (B) We pre-declared our voting intentions publicly by other means, e.g. through our website
- ☒ (C) We privately communicated our voting decision to investee companies prior to the AGM/EGM
- ☐ (D) We did not privately or publicly communicate our voting intentions prior to the AGM/EGM
- ☐ (E) Not applicable; we did not cast any (proxy) votes during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33	CORE	OO 9	PGS 33.1	PUBLIC	Stewardship: (Proxy) voting	2

After voting has taken place, do you publicly disclose your (proxy) voting decisions or those made on your behalf by your external service provider(s), company by company and in a central source?

- (A) Yes, for all (proxy) votes
- (B) Yes, for the majority of (proxy) votes
- (C) Yes, for a minority of (proxy) votes
- **(D) No, we do not publicly report our (proxy) voting decisions company-by-company and in a central source**

Explain why:

We do not believe that it is in our investors interests to publicly disclose votes against management recommendations for fear of unnecessarily damaging the investee companies reputation.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 34	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

After voting has taken place, did your organisation, and/or the external service provider(s) acting on your behalf, communicate the rationale for your voting decisions during the reporting year?

(1) In cases where we abstained or voted against management recommendations

(2) In cases where we voted against an ESG-related shareholder resolution

(A) Yes, we publicly disclosed the rationale

(B) Yes, we privately communicated the rationale to the company

(2) for a majority of votes

(2) for a majority of votes

(C) We did not publicly or privately communicate the rationale, or we did not track this information

○

○

(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year

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STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 36	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Escalation	2

For your listed equity holdings, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

(1) Listed equity

(A) Joining or broadening an existing collaborative engagement or creating a new one



(B) Filing, co-filing, and/or submitting a shareholder resolution or proposal



(C) Publicly engaging the entity, e.g. signing an open letter



(D) Voting against the re-election of one or more board directors



(E) Voting against the chair of the board of directors, or equivalent, e.g. lead independent director



(F) Divesting



(G) Litigation



(H) Other ☐

(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings ☐

STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?

- ☒ (A) Yes, we engaged with policy makers directly
- ☒ (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- ☐ (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- ☐ (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?

- ☐ (A) We participated in 'sign-on' letters
- ☒ (B) We responded to policy consultations
- ☒ (C) We provided technical input via government- or regulator-backed working groups

Describe:

Details disclosed annually in Stewardship Report

- ☐ (D) We engaged policy makers on our own initiative
- ☐ (E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?

- ☐ (A) We publicly disclosed all our policy positions
- ☒ (B) We publicly disclosed details of our engagements with policy makers
- Add link(s):

<https://heralduk.com/wp-content/uploads/2022/09/Herald-Investment-Management-Stewardship-Report-2021-Submitted.pdf>

- ☐ (C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.

(A) Example 1:

Title of stewardship activity:

Intelligencecheck – Improving the diversity and experience of the board

- (1) Led by
- ☒ (1) Internally led
 - ☐ (2) External service provider led
 - ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
- ☐ (1) Environmental factors
 - ☒ (2) Social factors
 - ☒ (3) Governance factors
- (3) Asset class(es)
- ☒ (1) Listed equity
 - ☐ (2) Fixed income
 - ☐ (3) Private equity
 - ☐ (4) Real estate
 - ☐ (5) Infrastructure
 - ☐ (6) Hedge funds
 - ☐ (7) Forestry
 - ☐ (8) Farmland
 - ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

In late April and early May 2022, whilst reviewing the re-election of the Independent Non-Executive Directors at the AGM for Intellicheck (a microcap US identity software provider) Herald reviewed the independence, diversity and tenure of the NEDs on the Board. We felt that the Board was filled with retired political and military appointments, that the Board lacked diversity in background, certain members had been with the Board for a long tenure, and there was a lack of sufficient relevant commercial expertise. Herald was supportive of the new executive appointments and the CEO. On 9th May 2022 Herald engaged with the Company and communicated that we felt the Board lacked sufficient relevant commercial expertise, certain members have been with the Board for a long tenure, and we felt the board would benefit from a more diverse background of experience.

Intellicheck informed us that similar views had been shared by other shareholders and employees within the Company. Having explained its position in advance Herald decided to abstain on the re-election of two directors within our proxy. We left it to the Board to decide the best path forward and timeline for any changes to the Board of the Company.

On the 13th May 2022 a new CFO was announced with an operational SAAS and cyber security background. The CFO was not appointed to the Board of directors.

On 28th June 2022 – Herald had a meeting with the executive management team and discussed issues raised by the proxy vote in particular the concerns raised at the time of the AGM. Intellicheck repeated the fact that several shareholders had questioned boards reliance and tenure of a number of directors. The CEO said he would pass on our comments again to the Chairman. We hoped that Board of Intellicheck would be able to settle the issue internally and that we did not want to be unnecessarily aggressive. We believed that our comments were taken in a constructive manner and Herald's recently increased shareholding was noted. We remained supportive through our shareholding and wanted the best outcome for shareholders and the Company. We offered to have a call with the Chairman if it was desired. On 14th September 2022 – Intellicheck announced two new board members with relevant industry, commercial and customer experience.

"Intellicheck an industry-leading identity company delivering on-demand digital and physical identification validation solutions, today announced the appointment of Dondi Black and Greg Braca to the company's board of directors. Black is Senior Vice President, Chief Product Officer at TSYS.

Braca is the former CEO and president of TD Bank.

"We are very excited to add Dondi Black and Greg Braca to our board of directors. Their deep fintech and banking knowledge and experience make them valuable additions to the Board. We are confident they will make important contributions in support of the Company's strategic vision for continued growth as the Company continues its focus on furthering adoption of our innovative technology solutions across key market verticals," said Chairman of the Board Guy L. Smith."

Herald believes that its constructive engagement with Intellicheck helped in facilitating a strengthening of the capability, governance and board of Intellicheck.

(B) Example 2:

Title of stewardship activity:

Sopheon – Engaging to improve the independence and experience of the board

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☒ (3) Governance factors

(3) Asset class(es)

- ☒ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

In 2021 Herald engaged with the Chairman of Sopheon a small company on the AIM in the UK and highlighted our concerns that there was insufficient independent NED representation on the Board. Sopheon responded that they hoped to find 2 candidates to be NEDs from one of two acquisitions that they were making. In advance of the AGM in June 2022 AGM Sopheon contacted Herald and explained that they had in fact acquired 2 businesses since the prior year, but neither of a scale that brought in an individual that we felt was right to be a new director and that accordingly the board composition remains unchanged. Sopheon specifically acknowledged the issue in the AGM notice as follows: "The Board is committed to maintaining high standards of corporate governance and applies the Quoted Companies Alliance's Corporate Governance Code for small and mid-size quoted companies (the "QCA Code").

A key feature of the QCA Code is the need for at least two independent non-executive directors. The Board is satisfied that its current makeup fosters an appropriate attitude of independence of character and judgement, even though most board members have been in post for many years. In line with the QCA Code guidance in such circumstances, all three non-executive directors have been put forward for annual re-election, even if not due for rotation under the Company's Articles. In addition, the Board believes it will be appropriate to further strengthen its independence with an additional non-executive director, ideally in conjunction with a future acquisition." Sopheon explained that they appreciated that this is not the same as adding another director but, as in the past, we are trying to project responsible board management in the context of a smaller business executing on its strategy.

Herald do not believe that it is difficult to consider the NEDs as independent as they are either previous executives or have a tenure well over 9 years.

Abstaining on the re-election of two of the NEDs as they have served on the Board for 19 years and 29 years with the average tenure of the 3 NEDs being over 25 years. The two NEDs currently sit on both Audit and Remuneration committees. Herald did not believe that this was sufficient and abstained on the re-election of two of the NEDs in question. In June 2022 we again communicated the concerns with regards to Board independence to the Chairman and that there is insufficient "Independent" board representation. We also stated that we understand that Sopheon are seeking to add an independent NED and we welcomed this initiative.

In December 2022 Herald again communicated its desire for change and reminded the Chairman of the public commitments Sopheon had made to add additional independent NEDs. The Chairman responded and confirmed that Sopheon had been active in recruiting independent NED's, with a desire to identify such a candidate as part of their M/A activity. Sopheon had closed on two such M/A transactions however did not find a NED candidate with suitable experience relevant to the future growth strategy. In parallel, Sopheon have conducted searches independent of their M&A activities and continue to pursue qualified NEDs. Finding NEDs with technology industry experience to go on small listed UK technology company boards has become increasingly challenging in recent years as the regulatory, compliance and risk burdens are high and rewards are very limited.

Herald directly approached a strong potential NED candidate – the response received was as follows "at the moment the risk/return calculation for public companies vs private companies puts me off a little though, I'm afraid." The Chairman of Sopheon asked if we had any ideas for NED candidates to include in the active pool for consideration. Herald suggested four names that the Chairman found to be interesting with a strong potential fit. The NED recruitment process continues.

(C) Example 3:

Title of stewardship activity:

Intercede Plc – Supporting the introduction of an unconventional Value Creation Plan and re-election of highly competent but long serving NEDs

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☒ (3) Governance factors

(3) Asset class(es)

- ☒ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry

- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

In July 2022 the Non-Executive Chairman of Intercede plc asked Herald to comment on a new management incentivisation scheme a Valuation Creation Plan. Herald was and is a 5% shareholder in Intercede. Intercede is a small (£30m market capitalisation and £11m revenue), AIM company.

Herald initially responded in writing and, whilst Herald has known and respected the Chairman for well over 25 years, whilst he operated in different roles, raised a number of concerns. These included:

- Herald dislikes cliff edge VCPs with share price only as the trigger (as opposed to strategic or financial metrics).

We highlighted the challenges that Future had with obtaining shareholder approval of its VCP and queried if Intercede may run into similar issues. In general Herald dislikes all or nothing value creation plans with aggressive share price targets that may or may not be met. Whilst Herald recognised that the overall pound value was not excessive and management do have to deliver a significant increase in share price, but in a small illiquid company the share price will be volatile and can easily be moved by newsflow. Such an approach is generally not favoured by institutional investors.

In particular, cliff edge vesting can create tension between management, NEDs and shareholders in the event a share price target is narrowly missed or achieved but not on a sustainable basis. Herald referred to a number of documents that highlighted the key principles that UK shareholders expect to be followed in designing management share-based incentive schemes can be found in documents from The Investment Association, the UK Corporate Governance Code and the QCA Remuneration Committee Guide. We also suggested alternate share-based remuneration structures.

- Intercede confirmed that whilst they were consulting with the major shareholders comprising close to 50% of the shareholder base that there would not be a shareholder vote on the VCP. This is not in line with the strong recommendation in the QCA Remco guide. Herald has very strong fundamental belief that shareholders should be given the opportunity to vote on share-based management incentive plans that dilute their shareholding and will be very disappointed in NEDs that do not facilitate such votes.

We also explained that Herald recognised that Non-Executive Directors have a challenging role in setting management remuneration and engaging with shareholders. Herald does not believe that we should be entirely prescriptive in what remuneration structure is appropriate. NEDs have far greater access to the intelligence to permit them to make informed judgements on the trade-offs that often have to be made.

Herald would generally aim to be supportive of NED views on remuneration, especially when we are consulted in advance and our comments and suggestions at least acknowledged, even if not always 100% accepted.

Subsequent to the written discussion, Herald met with the Chairman, who clarified the challenges he had in retaining top management capable of developing and selling complex security software products into major US and UK government agencies. In particular he highlighted that private equity backed companies were often willing to offer significant equity based compensation and that the VCP structure was partially designed to compete with such offerings.

On reflection Herald commented that we appreciated the difficult compromise that has to be made by NEDs between UK corporate governance norms and retaining talented management in small companies that can create significant shareholder value.

On balance and, despite some reservations, Herald decided to support the Chairman with the design of the VCP. We were disappointed that no shareholder vote on the VCP would occur but were somewhat reassured that the largest shareholders comprising close to 50% of the base were consulted.

At the AGM in September 2022, Herald voted in favour of all resolutions and the election / re-election of all directors. This was in some cases contrary to the guidance of ISS, which typically does not support NEDs with more than 9 years tenure or NEDs that represent shareholders. Herald noted that the independence and diversity of the board had been improved by the appointment of a new NED in July 2022.

(D) Example 4:

Title of stewardship activity:

KRM22 – Limiting the use of performance related pay for NEDs

(1) Led by

- **(1) Internally led**
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☒ **(3) Governance factors**

(3) Asset class(es)

- ☒ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Prior to the May 2022 AGM of KRM22 a small (£16m market capitalisation, £4m revenue), AIM company Herald noted that ISS reports were recommending voting against the re-election of two NEDs. On further investigation the basis of the decision was that the two NEDs in question had received options on joining the company and were therefore regarded as not independent by ISS which created an issue as they sit on the audit and remuneration committees.

We emailed the Chairman and informed him that ISS were recommending voting against the re-election of two of his NEDs. We explained that in principle UK investors have reservations about option awards for NEDs, as it can create bad incentives and conflicts. We noted that in the case of KRM22, a small and loss-making Company, that NEDs and executive directors have had given up cash pay for options in exchange the past, due to limited cash resources.

The scale of NED remuneration is in general modest: two non-execs in question were paid £25-30k each in cash and approximately £10k each in options. Contrary to ISS Herald said that it would not vote against the NEDs re-election on this occasion but will suggest that if the Company is cash constrained in future that the non-execs take some of their pay in straight shares rather than options as the alignment is better with shareholders, furthermore straight shares would not be deemed to be performance related pay or create perverse incentives for non-execs. The Chairman responded to Herald and explained that to attract such high profile, industry expert non-executive directors to a small start-up Company he had negotiated a starting package including a modest number of options, that were partially conditional on non-execs also buying shares directly. Herald reiterated that performance related pay for NEDs is generally disliked by UK investors and the Chairman understood the issue and stated that there was no intention to award further options to the non-executive directors in future.

(E) Example 5:

Title of stewardship activity:

Wallix – Improving board structure and experience through engagement. Advising on shareholder communication strategy

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☒ (3) Governance factors

(3) Asset class(es)

- ☒ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Herald clients own close to 5% of Wallix share capital. Wallix is a small (€71m market capitalisation, €24m revenue), French privileged account security software company. Over the last few years Herald has repeatedly discussed board structure and composition and with Wallix Herald's primary concerns were around the small board size, composition and experience. In June 2022 Wallix announced significant changes to the board including moving to a unitary board structure, adding three new credible and experienced non-executive directors and an additional external deputy chief executive director. Herald believes its constructive suggestions encouraged the changes to the Board.

Within the last year Herald has engaged with Wallix on its investor relations and communications strategy. In the past, Wallix has been overly optimistic in its guidance to shareholders, especially around the setting of long-term targets. Herald has encouraged Wallix to be more realistic in setting expectations and not to promote excessively aggressive long term aspirational targets which can cause investor disappointment when not achieved. Although actual revenue progression and results have been quite good in recent years – in a tough economic environment – shareholders have been disappointed that results have not met inflated expectations. This has caused volatility in the share price.

Herald has encouraged Wallix to focus on delivery within the business, to let the results speak for themselves and accelerate the speed of financial reporting. Swift and clear financial reporting is typically indicative of a well-run business. Herald continues to engage with Wallix as it progresses on its growth path.

CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

Has your organisation identified climate-related risks and opportunities affecting your investments?

☒ (A) Yes, within our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

Our standard planning horizon is over 10 years. The financial risks from climate change are typically classified as physical or transitional risks. Physical risks are those arising from specific weather events (such as wildfires) and transitional risks are those arising from the changes to regulations, such as the move to net-zero carbon. The portfolio is well diversified to mitigate against physical risks. Changes in climate change focused regulation, governing both the Company and investee companies, will create some uncertainty. A number of investments address the challenges arising from climate change and may benefit. However, if climate change has a significant adverse impact on the wider economy, the Company could be negatively affected. In comparison to the broader economy, the portfolio has a relatively low carbon footprint. The board encourages the Manager to consider environmental, social and governance factors when selecting and retaining investments.

☐ (B) Yes, beyond our standard planning horizon

☐ (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

● (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

For Herald's actively managed portfolios and investments, Herald's Investment team undertakes in-depth, company research, seeking to identify sustainable competitive advantages that enable businesses to generate excess returns on capital and predictable cash flow. As bottom-up fundamental investors, we consider ESG risk alongside other risks faced by companies we own and investigate. ESG risk analysis is integrated in our investment process and is not a separate function. We are active investors who interact closely with the management of the companies in which we invest as well as their suppliers and customers where possible. As bottom-up fundamental investors, we consider ESG risk alongside other risks faced by companies we own and investigate. ESG risk analysis is integrated in our investment process and is not a separate function. As a result, climate-related risks and opportunities do not necessarily affect our current investment strategy but are one piece of the puzzle. We are active investors who interact closely with the management of the companies in which we invest as well as their suppliers and customers where possible. We continually monitor all risks, including those which are climate-related and aim to engage with our investees in order to mitigate those which may be too high. Our focus on the newer sectors of the economy means that, in aggregate, our investee companies assist in improving the world environmentally.

The largest component of the portfolio is software, which provides efficiencies for enterprises, governments, and consumers. Other sectors of the portfolio often provide and improve the enabling supply chain. As the world moves away from fossil fuels, processes which have been developed involving their combustion are quickly being replaced by more sustainable fuels or being electrified.

This opens a plethora of new opportunities surrounding the generation, storage and use of energy. Technology also provides energy efficient communications, entertainment and more; and we firmly believe that capitalism and technological innovation combined are the central requirements to address the environmental challenges we face.

○ (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?

- ☐ (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- ☐ (B) Yes, using the One Earth Climate Model scenario
- ☐ (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- ☐ (D) Yes, using other scenarios

● (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?

☒ **(A) Yes, we have a process to identify and assess climate-related risks**

(1) Describe your process

We track and monitor our investments exposure to physical and transition risks posed by climate-change depending on size, sector and region the company operates in. The policy is to have global diversification with no concentration in any one region. For example, we measure exposure to areas know to flood like Thailand, typhoons in Taiwan.

(2) Describe how this process is integrated into your overall risk management

The process is completed annually for existing holdings and in completed prior to any investment is initiated.

☐ **(B) Yes, we have a process to manage climate-related risks**

- **(C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?

☒ **(A) Exposure to physical risk**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- **(2) Metric or variable used and disclosed**
- (3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

☒ **(B) Exposure to transition risk**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- **(2) Metric or variable used and disclosed**
- (3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

☐ **(C) Internal carbon price**

☐ **(D) Total carbon emissions**

☒ **(E) Weighted average carbon intensity**

- (1) Indicate whether this metric or variable was used and disclosed, including the methodology
 - (1) Metric or variable used
 - **(2) Metric or variable used and disclosed**
 - (3) Metric or variable used and disclosed, including methodology
- (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://heralduk.com/wp-content/uploads/2022/09/Herald-Investment-Management-Stewardship-Report-2021-Submitted.pdf>

- ☐ (F) Avoided emissions
- ☐ (G) Implied Temperature Rise (ITR)
- ☐ (H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals
- ☐ (I) Proportion of assets or other business activities aligned with climate-related opportunities
- ☐ (J) Other metrics or variables
- (K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?

☒ **(A) Scope 1 emissions**

- (1) Indicate whether this metric was disclosed, including the methodology
 - (1) Metric disclosed
 - **(2) Metric and methodology disclosed**
- (2) Provide links to the disclosed metric and methodology, as applicable

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

☒ **(B) Scope 2 emissions**

- (1) Indicate whether this metric was disclosed, including the methodology
 - (1) Metric disclosed
 - **(2) Metric and methodology disclosed**
- (2) Provide links to the disclosed metric and methodology, as applicable

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

☒ **(C) Scope 3 emissions (including financed emissions)**

- (1) Indicate whether this metric was disclosed, including the methodology
 - (1) Metric disclosed
 - **(2) Metric and methodology disclosed**
- (2) Provide links to the disclosed metric and methodology, as applicable

https://heralduk.com/wp-content/uploads/2023/08/HIML_TCFD-Report-2023_V5.pdf

- (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?

- ☒ (A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities
- ☐ (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?

- ☐ (A) The UN Sustainable Development Goals (SDGs) and targets
- ☐ (B) The UNFCCC Paris Agreement
- ☐ (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- ☐ (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- ☐ (E) The EU Taxonomy
- ☐ (F) Other relevant taxonomies
- ☐ (G) The International Bill of Human Rights
- ☐ (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- ☐ (I) The Convention on Biological Diversity
- ☒ (J) Other international framework(s)
Specify:

Task Force on Climate-Related Financial Disclosures

- ☐ (K) Other regional framework(s)
- ☐ (L) Other sectoral/issue-specific framework(s)
- ☐ (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?

- ☒ (A) Identify sustainability outcomes that are closely linked to our core investment activities
- ☒ (B) Consult with key clients and/or beneficiaries to align with their priorities
- ☐ (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- ☒ (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- ☐ (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- ☒ (F) Understand the geographical relevance of specific sustainability outcome objectives
- ☐ (G) Other method
- ☐ (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- ☒ (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- ☐ (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- ☒ (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- ☐ (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- ☒ (C) We have been requested to do so by our clients and/or beneficiaries

- ☒ (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- ☐ (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- ☐ (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- ☒ (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- ☐ (H) Other

LISTED EQUITY (LE)

OVERALL APPROACH

MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify and incorporate material ESG factors across your listed equity strategies?

(3) Active - fundamental

(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors beyond our organisation's average investment holding period	(1) for all of our AUM
(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their discretion	o

(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors

○

MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your listed equity strategies?

(3) Active - fundamental

(A) Yes, we have a formal process that includes scenario analyses

(B) Yes, we have a formal process, but it does not include scenario analyses

(C) We do not have a formal process for our listed equity strategies; our investment professionals monitor how ESG trends vary over time at their discretion

●

(D) We do not monitor and review the implications of changing ESG trends on our listed equity strategies

○

PRE-INVESTMENT

ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

How does your financial analysis and equity valuation or security rating process incorporate material ESG risks?

(2) Active - fundamental

(A) We incorporate material governance-related risks into our financial analysis and equity valuation or security rating process

(1) in all cases

(B) We incorporate material environmental and social risks into our financial analysis and equity valuation or security rating process

(1) in all cases

(C) We incorporate material environmental and social risks related to companies' supply chains into our financial analysis and equity valuation or security rating process

(2) in a majority of cases

(D) We do not incorporate material ESG risks into our financial analysis, equity valuation or security rating processes

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

What information do you incorporate when you assess the ESG performance of companies in your financial analysis, benchmark selection and/or portfolio construction process?

(3) Active - fundamental

(A) We incorporate qualitative and/or quantitative information on current performance across a range of material ESG factors

(1) in all cases

(B) We incorporate qualitative and/or quantitative information on historical performance across a range of material ESG factors

(1) in all cases

(C) We incorporate qualitative and/or quantitative information on material ESG factors that may impact or influence future corporate revenues and/or profitability

(1) in all cases

(D) We incorporate qualitative and/or quantitative information enabling current, historical and/or future performance comparison within a selected peer group across a range of material ESG factors

(1) in all cases

(E) We do not incorporate qualitative or quantitative information on material ESG factors when assessing the ESG performance of companies in our financial analysis, equity investment or portfolio construction process

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ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 5	PLUS	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Provide an example of how you incorporated ESG factors into your equity selection and research process during the reporting year.

As bottom-up fundamental investors ESG factors are one component of a wider, in-depth research approach into examining the risks and opportunities faces by companies. Due to the constantly changing landscape surrounding ESG data, it's collection and interpretation, our approach to incorporating ESG factors also changes and improves along with the quality and ease in which this data can be accessed. We have several spreadsheets which collect this data to both help interpret ESG factors on a full portfolio level as well as on a stock specific level in more detail. This allows us to collect and track the available data for both existing and prospective investments. Not exclusively, some of the environmental factors tracked are Total Greenhouse Gases, Water Consumption, Waste as well as if the companies have policies around climate change, having net zero targets or energy and water efficiency policies. Again, a portion of the social factors we track include policies on human rights, anti-bribery, child labour and health and safety. The governance side involves tracking board size, independence, diversity, and management compensation. The aforementioned factors are just a sample of many more ESG factors we monitor and track and look back over a 5-year period to see trends in the data where it is available.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

How do material ESG factors contribute to your stock selection, portfolio construction and/or benchmark selection process?

(3) Active - fundamental

(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(B) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(C) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(D) Other ways material ESG factors contribute to your portfolio construction and/or benchmark selection process

(E) Our stock selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

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POST-INVESTMENT

ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 10	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

For the majority of your listed equity assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?

(2) Active - fundamental

(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual listed equity holdings



(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for other listed equity holdings exposed to similar risks and/or incidents



(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for our stewardship activities



(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents



(E) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process; our investment professionals identify and incorporate material ESG risks and ESG incidents at their discretion

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(F) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process

○

CONFIDENCE-BUILDING MEASURES (CBM)

CONFIDENCE-BUILDING MEASURES

APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- ☐ (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- ☐ (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- ☒ (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- ☒ (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- ☐ (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- ☐ (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- ☒ (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
- (H) We did not verify the information submitted in our PRI report this reporting year

INTERNAL AUDIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 4	CORE	OO 21, CBM 1	N/A	PUBLIC	Internal audit	6

What responsible investment processes and/or data were audited through your internal audit function?

☒ **(A) Policy, governance and strategy**

Select from dropdown list:

- ☐ (1) Data internally audited
- ☐ (2) Processes internally audited
- ☒ **(3) Processes and data internally audited**

☒ **(C) Listed equity**

Select from dropdown list:

- ☐ (1) Data internally audited
- ☐ (2) Processes internally audited
- ☒ **(3) Processes and data internally audited**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 5	PLUS	CBM 1	N/A	PUBLIC	Internal audit	6

Provide details of the internal audit process regarding the information submitted in your PRI report.

The internal audit was completed 24-08-2023 and involved a full review of all completed sections to determine their accuracy with regards to implemented policies within the business. The audit involved another fund manager who would be responsible for implementing the actions described in the report as well as a read through from our compliance team to ensure all policies and actions are carried out as described and all data provided is accurate.

INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

Who in your organisation reviewed the responses submitted in your PRI report this year?

☐ (A) Board, trustees, or equivalent

☒ **(B) Senior executive-level staff, investment committee, head of department, or equivalent**

Sections of PRI report reviewed

☒ **(1) the entire report**

☐ (2) selected sections of the report

☐ (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year