HARDING
LOEVNER

Investment Stewardship Activities 2022

As a signatory to the UK Stewardship Code, Harding Loevner has committed to report on its activities and their effectiveness in relation to the Principles of Stewardship as outlined in The UK Stewardship Code 2020. The following report describes how Harding Loevner honors the Principles in its investment approach, organization and governance, business practices, and engagement activities to create long-term value for our clients and their beneficiaries. This report covers the firm's activities for the calendar year 2022; unless otherwise noted, all the information in this report is current as of December 31, 2022.

Harding Loevner's stewardship statement is reviewed annually and is publicly available on Harding Loevner's website, www.hardingloevner.com. Harding Loevner also reviews its stewardship statement when the Financial Reporting Council (FRC) makes changes to the Code. This statement was last updated on October 6, 2023.

Harding Loevner's Chief Investment Officer, Ferrill Roll, is the contact for questions or comments regarding Harding Loevner's adherence to the UK Stewardship Code. Ferrill Roll can be reached at FRoll@hlmnet.com. Timothy Kubarych, Co-Deputy Director of Research, can also be reached for questions or comments at TKubarych@hlmnet.com.

General inquiries relating to Harding Loevner's adherence to the UK Stewardship Code may be directed to info@hardingloevner.com.

Principle 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Purpose

Harding Loevner's purpose is to meet our clients' investment needs, both financially, by achieving superior risk-adjusted returns, and non-financially, by satisfying other goals they may hold.

Our sole business is managing (with or without discretion) portfolios of publicly traded equity securities for a fee. We offer a selection of investment strategies, focused on global and emerging markets equities.

Investment Beliefs

Harding Loevner believes that the best approach to achieve superior risk-adjusted returns for our clients comes from long-term investment in quality companies capable of sustaining growth and compounding of earnings. We work to identify such companies through a bottom-up analysis of potential investee companies, rather than by trying to make top-down forecasts of macroeconomic conditions or disruptions. We also focus on the global competitive structure of the industries those companies occupy as a key component of our evaluation of them.

Our structured investment process relies on fundamental research, both qualitative and quantitative, to identify companies that meet four criteria:

- ☑ **Competitive Advantage:** A strong position within an industry that has a favorable global competitive structure; sustainable return on capital above the cost of capital
- ☑ **Quality Management:** A track record of successful management, especially regarding capital allocation, with a clearly articulated business strategy and a high regard for the company's shareholders
- ☑ **Financial Strength:** Business-appropriate balance sheet and borrowing capacity, with internal free cash flow generation capability
- ☑ **Sustainable Growth:** Prospective growth of revenues, earnings, and cash flows

We regard companies that meet these criteria as well positioned to take advantage of growth opportunities in both favorable and unfavorable business environments and therefore likely to outcompete their industry peers over the long term. Our focus on sustainable growth means that many of the companies in which we invest have positioned themselves to meet society's current and evolving sustainability goals, including those related to the environment.

Culture

The pillars of Harding Loevner's investment culture include:

- **Collaboration without consensus:** We seek to foster opposing viewpoints in our collaboration, not to achieve consensus. Individuals, not committees, make decisions and are solely accountable for the results. To enhance our culture, we seek to build cognitive diversity in our organization through the breadth of the professional and personal backgrounds of our employees.

- **Our long horizon:** Undistracted by high-frequency information, much of which we regard as noise, we focus on a few low-frequency, fundamental signals that reveal companies' progress in creating long-term value for their shareholders. We believe that it can take years for the superior quality and growth characteristics of our researched companies to become broadly recognized and reflected in their stock prices. Therefore, the average holding period across our investment strategies is between three and seven years.

- **Replicability through a structured process:** Long-term investment success requires replicating good decisions, which can only be achieved through a well-structured decision-making process. Our approach attempts to mitigate the unconscious biases that plague human decision-making. To ensure consistency, we use our proprietary Quality Assessment (QA) framework to evaluate whether a company's quality and growth characteristics meet our investment criteria, using common language and metrics across industry or geographic location.

- **Transparency:** Requiring views to be written and shared broadly makes us commit to our viewpoints and lets other colleagues see and understand those views. This transparency facilitates objective appraisal of contributions and continuous self-improvement, at both the individual and organizational level.

- **Responsible investment:** As we analyze and invest in securities on behalf of our clients, we are constantly assessing companies' long-term business prospects considering their plans and the future conditions we think they may face. Such assessment includes a close study of environmental, social, and governance (ESG) risks and opportunities. These risks and opportunities are explicitly considered at each stage of our fundamental investment process. We work to understand client goals and to incorporate, where possible, their specific ESG-related goals into our management of their accounts.

- **Active ownership:** Responsible ownership requires active engagement. Our analysts interact regularly with management of covered companies to understand the risks and opportunities they face and to share our views on material issues.

Assessment of Stewardship Effectiveness

Our stewardship activities are critical to our ability to assist clients in achieving their long-term investment goals. At the highest level, we assess our effectiveness by evaluating whether we helped our clients achieve their goals and whether they are satisfied with the service we provided. We review numerous indicators of the effectiveness of our stewardship, including:

- **Performance expectations:** We are an active manager; clients expect we will produce superior returns over the long term. As of December 31, 2022, all our core investment strategies had outperformed their stated benchmarks over trailing 10-year periods.[1]

- **Consistency:** We pledge to investors that the portfolios we manage will only invest in companies possessing high-quality fundamentals and above-average growth potential. We gauge our success meeting our objectives for clients based on our consistency in fulfilling this pledge across all market environments.

- **Tenure of our clientele:** Among our separate account clients, the average client tenure is over seven years; our largest 10 accounts have an average tenure of over eight years. We have managed over 100 separate account portfolios for more than 10 years.

- **Endorsements of our investment strategies:** Harding Loevner and its investment strategies are scrutinized and assessed by professional intermediaries and ratings services globally. Our investment products are recommended by many leading institutional consultants, global financial institutions, and professional advisers who utilize them in managing their institutional and private clients' assets.

- **Ability to provide tailored solutions:** As clients' needs and goals for their investment programs have evolved, so has our ability to tailor portfolios, reporting, and issuer engagement to meet those needs. Individualization of our investment management services is increasingly valued by our clients, whose custom portfolios total approximately $10 billion.

- **Reputation:** We are committed to conducting our business and ourselves according to the highest ethical standards. We have never been the subject of legal or regulatory action since our establishment in 1989.

- **Contentment and well-being of employees:** Our strong employee retention rate enable continuity in the management of client portfolios. The annual turnover of our investment team has averaged 4% over the past five years. The average Harding Loevner tenure of our portfolio managers is 12 years.

1. Core investment strategies include our Global Equity, International Equity, Emerging Markets Equity, Frontier Emerging Markets Equity, and International Small Companies strategies. Measured gross of fees.

Principle 2 | Signatories' governance, resources and incentives support stewardship.

Harding Loevner's ownership and governance structure, resources, and incentives are designed to ensure the responsible stewardship of client capital.

Ownership

Harding Loevner is a limited partnership and affiliate of Affiliated Managers Group (NYSE: AMG). The legal structure of our partnership with AMG guarantees the perpetual independence of our firm by ensuring that our employees retain complete control over its operation and strategic direction. Our partnership with AMG facilitates orderly succession of the firm's leadership by providing for the seamless transition of ownership from senior to junior employee partners over time. As of January 2023, 38 of Harding Loevner's employees were limited partners of the firm.

Governance Structure

Policy setting and oversight of all stewardship matters reside with Harding Loevner's Executive Committee, which consists of the firm's chairman, chief executive officer, vice chairman, president, chief operating officer, chief investment officer, and chief administrative officer. Each member of the committee has explicit oversight of specific stewardship-related initiatives, with David Loevner, our Chairman; Aaron Bellish, our CEO; and Ferrill Roll, our CIO, determining our overall stewardship strategy.

Adherence to our prescribed research process is enforced by our director of research and one of our co-deputy directors of research. The firm's CIO oversees the overall investment process, including the integration of ESG factors in securities research.

Profile: Key Employees with Stewardship Responsibilities

Executive Committee

Ferrill Roll, CFA *Chief Investment Officer*
43 years experience
Stewardship in investment process

David Loevner, CFA, CIC *Chairman*
44 years experience
Advises Executive Committee on stewardship strategy

Aaron Bellish, CPA *Chief Executive Officer*
21 years experience
Stewardship resourcing and business strategy

Overall strategy for stewardship activity

Simon Hallett, CFA *Vice Chairman*
44 years experience
Advises CIO on stewardship in investment process

Richard Reiter *President*
34 years experience
Custom ESG solutions for clients

Maura Karatz, SPHR, SHRM-SCP *Chief Administrative Officer*
23 years experience
DEI initiatives, charitable giving and cybersecurity

Research & Portfolio Management
Yoko Sakai, CFA *Director of Research*
Tim Kubarych, CFA *Co-Deputy Director of Research*
ESG integration and engagement

Maria Lernerman, CFA *ESG Analyst, Portfolio Manager*
Maryna Arabei, CESGA *ESG Associate*
Structured and collaborative engagements

Finance & Operations
Lisa Togneri, CPA *Chief Financial Officer*
Data strategy and automation

Client Management & Client Operations
Jared Tramutola, CFA *Chief Operating Officer*
Lindsey Andresen, *Manager of Client Management*
Client service, proxy voting execution and reporting

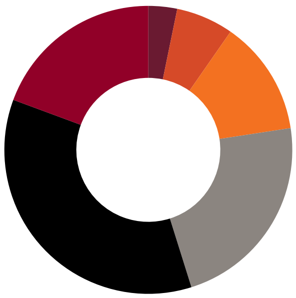
Legal & Compliance
Brian Simon *General Counsel & CCO*
Proxy voting policy and stewardship procedures

Investment Communications
Ray Vars, CFA *Director, Investment Communications*
Client communication

Product Management
Ryan Bowles, CFA *Director, Product Management*
Devin Taylor, *ESG Strategist*
Investment vehicle offerings and ESG-related product and reporting initiatives

Profile: Analyst & PM Team

Industry Experience (yrs)



Analyst Tenure (yrs)

31
Analysts

24
CFA Charterholders

26
Advanced Degrees

100%
of Analysts have ESG Responsibilities

100%
of PMs have Analyst Responsibilities

Diversity, Equity, and Inclusion

Harding Loevner believes that its pursuit of diversity, equity, and inclusion (DEI) will strengthen its ability to serve its clients effectively and sustain its success through superior decision-making leading to superior investment outcomes. Harding Loevner also wishes to contribute to the expansion of professional opportunities for members of marginalized or disadvantaged groups for the sake of a brighter future for our firm and our industry. Harding Loevner values cognitive diversity, supported by diversity of professional and personal backgrounds, and embraces and celebrates differences among employees in personal attributes, background, and experience to improve collaboration and mitigate cognitive biases. Such differences may include those of age, gender identity, sexual orientation, language, race, ethnicity, national and regional origin, family status, physical ability, religious and political affiliation, economic status, education, and military service.

While the company has achieved significant diversity, we continue to explore ways to attract members of groups that have been underrepresented in investment management, including women and non-white minorities, and measure our success in achieving this objective. The firm's DEI Committee provides feedback and insight to the Executive Committee and offers recommendations for the development of policies and practices to advance DEI efforts. Entering 2022, ongoing firm initiatives included:

- Improving metrics to allow the DEI Committee to hold the firm accountable for progress and facilitate the prioritization of strategic initiatives.
- Reviewing job postings to ensure inclusive language.
- Encouraging community engagement through charitable donations and a Harding Loevner Employee Matching Gift Program.
- Conducting unconscious bias training for all employees and require additional training for managers to mitigate bias from hiring, promotion, and review processes.
- Partnering with organizations with diverse networks to increase diversity of candidate pool. Require a diverse candidate pool for every open position.
- Conducting an annual review of pay equity.

Additional developments during 2022 included:

- The establishment of a formal mentorship program for all junior employees to develop talent and foster an inclusive work environment.
- DEI Committee Members' participation in the W.K. Kellogg Foundation "Expanding Equity" program aimed at advancing racial equity in the corporate sector. The program offered training in proven tools and human-centered approaches for addressing diversity, equity, and inclusion.
- Our signing of the CFA Institute's Diversity, Equity, and Inclusion Code. The DEI Code provides investment industry organizations with an action-oriented and principles-based framework through which to drive measurable and meaningful change concerning diversity, equity, and inclusion within organizations.

Profile: Diversity at Harding Loevner

47% of employees proficient in at least one foreign language

30% of employees with experience working in more than one country

	Firmwide Employees (120)	Investment Team (43)	Limited Partners (38)	Portfolio Managers (19)
% Women or Non-White	44%	44%	23%	37%
Change over 10 years	+0%	+1%	+23%	+18%

Training

New members of Harding Loevner's investment team are trained in the use of our tools and procedures that help them integrate the evaluation of ESG risks and opportunities into their research on companies. Our analyst manual contains detailed explanations of our ESG integration process and the various tools that we have developed to support ESG integration.

In addition, our ESG analyst and ESG associate provide supplementary information, tools, and ongoing training to enhance our ESG assessment capabilities, including educational sessions dedicated to ESG topics. In 2022, the firm hosted discussions with external experts on issues including renewable energy power generation in the US; power transmission and distribution dynamics; and the "circular economy" of repairing, reusing, and recycling existing materials and products to reduce climate and waste issues.

Our ESG analyst and associate have supported our research analysts through training on topics such as the Task Force for Climate-Related Financial Disclosures (TCFD) framework for governance, strategy, risk management, and metrics and targets relating to emissions reduction, as well as viability and feasibility assessments of emissions-reduction plans. All staff members at Harding Loevner also received an update in November 2022 on the ESG regulatory landscape in both the US and Europe and how it affects how we serve our clients.

We also have been involved in continuing education and certification programs for members of our team. In 2022, our ESG associate passed the EFFAS Certified ESG Analyst (CESGA) certification exam and became a CESGA certification holder, while our ESG strategist and one of our portfolio specialists earned the CFA Institute's Certificate in ESG Investing. Staff members also periodically attend relevant industry conferences on ESG developments, such as events sponsored by the CFA Institute and Responsible Investor.

Resources

Internal fundamental research forms the basis of all investment decisions. To supplement their own research, analysts consult resources such as NGO reports and company CDP (formerly Carbon Disclosure Project) reports and have access to several third-party data providers, including:

- **MSCI ESG:** Various ESG-related data modules, including ESG ratings reports, carbon emissions data and metrics, governance metrics reports, ESG indices, business involvement screening research and controversies, and climate value at risk (Climate VaR).
- **Bloomberg:** ESG-related data, including metrics on company operations related to ESG issues.
- **Glass Lewis:** Corporate governance research and proxy vote recommendations.
- **Sustainability Accounting Standards Board (SASB):** Recommended disclosures and key ESG issues for specific industries.
- **CDP:** TCFD-aligned climate reporting and other environmental reporting.

The internal ESG research and due diligence each analyst is expected to perform on their covered companies can be supplemented by sell-side research, such as data and analysis compiled by brokers, boutique consultants, and other industry researchers. As a signatory to the UN-supported Principles for Responsible Investment (PRI), we also have access to the PRI's resources, content, and collaboration platform.

To support our analysts in their evaluation of ESG risks and opportunities, we have developed proprietary tools to guide and structure their analysis. These include initial screening tools to identify early in the investment process exposure to severe risks that could lead to a company's removal from consideration, as well as an ESG Scorecard, in which the company is evaluated against a defined set of ESG risk factors and opportunities. This Scorecard provides a standardized framework for comparing risks and opportunities across industries and geographies to ensure a consistent approach. A company's overall ESG score is an input for our valuation model that helps determine projected future cash flows.

For regulatory disclosure requirements associated with our Irish UCITS funds, we also have licensed MSCI ESG Research's EU Sustainable Finance Taxonomy and EU Sustainable Finance Disclosure Regulation (SFDR) data sets. For inbound inquiries on our strategies' industry and sustainability rankings we also use Morningstar Direct along with its Sustainability Globe Ratings.

Incentives

Harding Loevner employees are rewarded for serving as responsible stewards of our clients' capital through participation in the long-term success of our business. All professional employees at Harding Loevner participate in long-term compensation plans, whether as limited partners or as participants in our equity-linked incentive plan.

In addition to long-term incentives, all employees receive an annual bonus based on their completion of goals established at the beginning of each year. Many employees' annual goals are related to stewardship. Research analysts have goals related to integration of ESG factors into their research, while employees in executive, client-facing, and business-development functions have goals to advance the firm's stewardship, including ESG integration; the promotion and provision of investment, reporting, and engagement solutions customized to clients' goals and requirements; reduction of the firm's environmental impact; and advancement of the firm's DEI goals.

Ongoing Improvement

We believe that our careful approach to the governance of our business and our stewardship initiatives has been effective to date. However, we strive constantly to enhance our stewardship capabilities. In 2022, the firm continued to evaluate stewardship-related responsibilities and which individual and departmental stakeholders should have input, while maintaining individual accountability at an operational level. An ESG Working Group continued to convene key leaders across departments on joint activities such as Harding Loevner's first TCFD report, which was published in October 2022.

As noted above, Harding Loevner has continued to invest in resources in support of stewardship activities. In mid-2022, we hired for a new position of ESG strategist to assume a leadership role in coordinating and executing projects across business teams including our voluntary and regulatory disclosure activities and commitments, and other external communications regarding our ESG capabilities and our two recently launched climate-related investment strategies, Global Paris-Aligned Equity and International Carbon Transition Equity. This role will serve to incorporate feedback from client engagements, knowledge of the firm's current ESG solutions, and an understanding of the industry and regulatory landscape to continue to improve our service to clients and our stewardship of their assets. Additionally, our ESG strategist is responsible for our ESG Working Group, which coordinates stewardship initiatives across multiple departments and functional areas.

Principle 3

Signatories manage conflicts of interest to put the best interest of clients and beneficiaries first.

Our clients' interests always take priority over those of Harding Loevner and our employees. All employees are required to follow our Code of Ethics, which states that employees must always "act solely for the benefit of clients. The conduct of the Adviser [Harding Loevner] and its employees must recognize that the clients' interests always have priority over those of the Adviser and its employees (including with respect to employee personal trading) and is based upon fundamental principles of openness, integrity, honesty, and trust."

Harding Loevner has adopted comprehensive policies to manage conflicts of interest that may arise in connection with investee companies. These policies include:

- Employees must disclose to the Harding Loevner's legal and compliance team their involvement in any outside business activities;
- Employees must obtain preclearance with Harding Loevner's legal and compliance team prior to serving on the board of a publicly traded company;
- Employees must report on their personal holdings each quarter, including holdings of securities issued by companies with which Harding Loevner may invest on behalf of clients;
- Employees must obtain preclearance from Harding Loevner's legal and compliance team prior to transacting in certain securities, including securities in which Harding Loevner clients are invested; and
- Employees must report any gifts or entertainment received, including from any companies in which Harding Loevner may invest on behalf of its clients.

Stewardship-related examples of potential conflicts of interest include:

- Harding Loevner may serve as the investment adviser to a company as well as holding shares of that company in client accounts; or
- A Harding Loevner employee involved in the decision-making about a particular proposal could have a material relationship with the issuer.

If a material conflict is identified, our proxy voting policy dictates that the portfolio operations team recuse the covering analyst from the voting decision and instead rely on the voting recommendations of Glass Lewis, an independent third-party corporate governance research provider. The following examples show how the firm has handled actual or potential conflicts of interest.

Example of Potential Conflict: Holding is a Client of Harding Loevner

In March 2022, we received a proxy to vote on the board of directors for an investee company in the Energy sector whose pension fund is a client of Harding Loevner. In accordance with our proxy voting policy, we deferred to Glass Lewis's voting recommendations rather than have our analyst weigh in on the proposal.

Example of Potential Conflict: Harding Loevner is a Client of a Holding

Harding Loevner is an investor in a systems software company whose software we use in our operations. As is our standard practice, our operations team, with legal and compliance and client management, flagged this company as part of its periodic review of stakeholders that are both publicly listed and are an investee company in a Harding Loevner strategy. In this case, we determined that the vendor relationship did not represent a material conflict of interest. We therefore voted in line with our covering analyst's recommendation on a proposal in August 2022 relating to the company moving its headquarters from the United Kingdom to Delaware. If a material conflict had been identified, we would have deferred to Glass Lewis's recommendation.

Oversight, Training, and Ongoing Maintenance

Under the supervision of the general counsel & CCO, our legal and compliance team conducts regular reviews of activities involving potential conflicts. Any material issues identified during these reviews would be addressed by Harding Loevner's Compliance Committee, which oversees at a high level the firm's compliance program. The Compliance Committee is comprised of Harding Loevner's chairman, CEO, vice chairman, CIO, president, and general counsel & CCO.

Our legal and compliance team conducts annual compliance reviews that seek to enhance our firmwide policies. These reviews include the examination of our Code of Ethics and proxy voting policies, both of which address the management of potential conflicts of interest. During our 2022 review, we deemed these policies to be sufficient and no changes were made.

Employees attest to their compliance with the Code of Ethics and fill out conflicts of interest questionnaires on an annual basis. We also inform all employees of the potential for conflicts of interest and the process for escalating them to the general counsel & CCO and, if necessary, the Compliance Committee. We also comply with the CFA Institute's Asset Manager Code and attest annually.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Harding Loevner assesses market-wide and systemic risk at the security, portfolio, and enterprise levels. We constantly evaluate current and emerging areas of risk, including those related to ESG issues, to ensure that they are reflected in the risk management and mitigation efforts we employ on behalf of our clients.

Approach to Risk Identification and Management

Our ability to respond to market-wide and systemic risks effectively is predicated on the evaluation of risks on multiple levels.

At the security level — We seek to invest only in financially strong, well-managed companies identified through in-depth research.

At the portfolio level — We manage risk by strictly enforcing portfolio guidelines for all investment strategies.

At the firm level — Enterprise risks are managed collaboratively by the senior professionals responsible for overseeing Harding Loevner's different functional areas (e.g., operational, legal and compliance, and finance).

Security Risk Management

Intense research into and monitoring of companies and their share prices guards against the risk of permanent loss in an individual position. Our focus on financial strength allows us to avoid companies in financial distress, while our insistence on business quality ensures that our companies tend to do better than their peers during periods of economic stress.

Our analysts establish investment mileposts that are regularly monitored to confirm that covered companies are meeting expectations and the investment theses remain valid. We also pay careful attention to valuation. Based on the complexity of market events, we also may form a task force or designate a point person to focus on specific, elevated, or systemic risks that emerge.

Portfolio Risk Management

We believe that layered supervision is critical to monitoring risk. Portfolio managers are responsible for managing the risks and the returns of their portfolios. Risk analysis is shared with the CIO, who urges portfolio managers to consider any unintended exposures. Additionally, the Compliance and Portfolio Review Committees and client management team have responsibility for monitoring portfolios.

For each of our investment strategies, we require compliance with risk-control guidelines that ensure portfolios are diversified across holdings, sectors, and countries. The risk limits are maintained in our order management system and are monitored frequently and rigorously to ensure that limit breaches do not occur. In addition, the CIO oversees a quarterly risk review of all portfolios, which is informed by Axioma's global multi-factor risk model, an external provider of equity factor risk models. The purpose of the risk review is to encapsulate the aggregate risk factor exposures of the portfolio such as country, style, industry, and stock-specific risks both from an absolute and relative perspective. The risk review provides a structured process for portfolio managers to understand the links between their company-specific investment decisions and portfolio-level factor risk.

We also generate quarterly portfolio dashboards that include data on portfolios' fundamental characteristics, risk exposures, and risk measures (e.g., tracking error, absolute volatility). Aggregating this information provides portfolio managers with additional context to support their decision making on individual securities. In 2022, we developed custom risk reports and tools that are made available to portfolio managers to assess the portfolio-level impact on risk characteristics from potential investment actions.

Enterprise Risk Management

Harding Loevner's approach to managing enterprise risk is to foster a culture of compliance (including requiring adherence to a Code of Ethics that applies to all employees) and to operate the firm with a long-term perspective that includes conservative financial management. We use a formal enterprise risk framework to evaluate risks in six categories: investment, operational, legal and compliance, credit and counterparty, financial reporting, and reputational.

Our Executive Committee is responsible for ensuring the firm is positioned to address systemic and market-wide risks on behalf of Harding Loevner and the firm's clients, including our compliance with increasing regulatory disclosure requirements. Our general counsel & CCO leads the firm's compliance-related activities and is supported by the members of our legal and compliance team. In 2022, the legal and compliance team conducted targeted training sessions, including a session on recent developments in the regulatory landscape in which our business operates.

The legal and compliance team also hosted a mandatory, firm-wide session on cybersecurity risks which included presentations on employee requirements and best practices and demonstrations from the head of our information technology department to simulate how bad actors can use techniques such as phishing to exploit weaknesses in employee awareness or technology infrastructure. This training session also included refreshers on the use of firm-approved devices and electronic communications systems and best practices for use of our virtual private network (VPN) for remote work or while analysts are traveling. The in-person information security training was reinforced throughout the year through compulsory quarterly cybersecurity awareness training modules for each employee, as well as simulated tests distributed to employees to sharpen their ability to proactively identify any unusual activity.

Identifying Systemic and Market-wide Risks

Our investment professionals are constantly looking for, attempting to understand, and evaluating emerging market-wide and systemic risks and their potential impact on our investments and our clients. We as an asset manager—and our clients as investors in our strategies—are exposed to a wide variety of market-wide and systemic risks, such as environmental risks (including climate change), social risks (including worker health and safety, cybersecurity, and data protection), and geopolitical risks (including armed conflict, de-globalization, and supply chain risks).

Systemic Risk

We are long-term investors who recognize that climate change will be a source of profound risks and great opportunities over the coming decades. A changing climate will impact companies' assets, operations, labor force, supply chains, and customers. Some companies will encounter regulation or taxation of their carbon emissions, and some will find their products lose favor with customers seeking to lighten their environmental impact. Other companies will thrive as they provide alternatives or solutions to address this pressing issue. And even those companies whose products are less affected are likely to require changes to manufacturing and other processes to adapt to a changing climate. While specific climate-related impacts on individual companies will vary across industries, sectors, geographies, and time, climate change is a material systemic risk for financial markets.

In our 2022 TCFD report, we began reporting on physical and transition risks both in Harding Loevner's business operations as well as its investment holdings on behalf of clients as an asset manager. Additionally, we began engagements with select portfolio companies (see Principle 9) on a range of ESG topics which include climate change and energy transition.

Responding to Market-Wide Risks

On the following page, we detail our response to Russia's invasion of Ukraine, a market-wide risk that arose in 2022. This geopolitical event and armed conflict represented a low-probability, high-impact tail risk for global equity investors. We worked to transparently communicate our response to this market disruption as it developed throughout the year.

Russia's Invasion of Ukraine

Russia's invasion of Ukraine in February 2022 is primarily a tragedy with overwhelming human costs. While they pale in comparison to the human toll of the war, there have also been profound economic ramifications of the invasion and the sanctions imposed on Russia by many countries around the world. Prior to the invasion, we had holdings in several Russian companies. As sanctions came into place, the market for those equities effectively froze, leading us to write down their value in our portfolios to effectively zero.

As mentioned earlier in this section, we look to manage security- and portfolio-level risks through in-depth research and robust debate about individual companies and the industry and conditions in which they operate, as well as broader portfolio level risk guidelines to ensure portfolio diversification and to limit our exposure to acute shocks in a particular geography or sector. Generally, we are averse to knee-jerk reaction to geopolitical or market-wide events, a habit developed since the founding of our firm in March 1989 across many such shocks, beginning with the fall of the Berlin Wall in November of that year followed by the Iraqi invasion of Kuwait and the US-led response in the first Gulf War of 1990-91. In both cases, one's initial—emotional—response to the situation (such as embracing either "OstPhantasie" or Canadian oil stocks) would have been a poor long-term choice, and a more deliberate mode of decision-making proved the sounder course.

Resisting reflexive actions won't always be the correct choice, and unfortunately it wasn't in the case of the Russian invasion. But on average, through many market shocks, our preference for slower, more deliberate thinking has proven beneficial, not only for our returns but also in promoting a well-functioning financial system, rather than adding to panic or volatility.

In the aftermath of the invasion, we, as always, focused our efforts on our clients and the stability and functioning of the financial system. We maintained regular contact with our clients, both in direct communications and through published commentary from our CIO. We also ensured that we complied with the sanctions imposed on some of the stocks we owned, as our legal and compliance team worked closely with regulatory contacts, outside counsel, and industry groups to stay on top of the rapidly evolving landscape.

We have worked to preserve our future ability to trade shares that we still own. After the Russian Federation forced Russian companies to end their American and Global Depositary Receipt (ADR/GDR) programs, we converted some of our Russian ADR/GDR holdings to local shares with the objective to trade them in the future if sanctions permit. Since the conflict, we have sold some of our positions, and we continue to look for opportunities to maximize the shareholder value of the positions that we still hold, which could include off-market transactions. We also continue to uphold our stewardship responsibility in voting the shares of our Russian holdings on behalf of our clients.

Assessing Effectiveness of Managing Systemic and Market-Wide Risks

As described in Principle 7 in relation to our integration of material ESG issues (including climate change) in fulfilling our stewardship responsibilities, our analysts are required to evaluate the potential impact of such ESG issues on a business as well as to identify ESG-related risks and opportunities that may influence that business' ability to grow profitably and sustainably.

We remain focused on companies and their stock valuations, seeking to invest in a diverse collection of well-managed businesses that have strong growth prospects and are not dependent on economic cycles. Our investment strategies generally exhibit low to moderate benchmark-relative risk (as indicated by their low tracking error), an outcome of our quality-growth investment approach.

The internal research process is communicated transparently to Harding Loevner's entire employee base and appears in continuous, contemporaneous written investment debate which is retained and recorded as a systematic core feature of our process. This consistent application of our active approach aligns our investment decisions with the goals of identifying and responding to risks inherent in global equity markets while seeking to maximize shareholder value. We believe that staying true to the decision-making discipline we have formalized in our investment process has proven effective in producing, over time, beneficial overall results for our clients, even though it may not lead to the best outcome in every instance.

Participation in Industry Initiatives

Harding Loevner values the opportunity to collaborate with industry organizations, policymakers, and other stakeholders to discuss pertinent topics facing the financial services industry and to promote the improved functioning of financial markets. Members of several areas of our firm, including research, client service, and business development, participate in industry events and discussions on behalf of Harding Loevner each year.

Other industry initiatives in which we participated during 2022 included:

- **Active Manager Council (AMC), part of the Investment Adviser Association (IAA):** Harding Loevner is a founding member and a member of its Steering Committee.
- **Investment Company Institute (ICI):** As a member of the ICI, we participated in several ESG working groups in 2022 and our CFO serves on the Tax Committee.
- **Principles for Responsible Investment (PRI):** Harding Loevner has been a signatory to the UN-supported PRI since 2019 and has participated in each reporting and assessment period. A public version of our most recent Transparency Report is available on the PRI website.
- **CFA Institute:** As of December 2022, 34% of Harding Loevner employees were CFA charterholders. Our CFA charterholders have participated in educational events sponsored by various CFA societies. Our ESG strategist has joined the CFA Society of New York's Sustainable Investing Group.
- **Task Force for Climate-Related Financial Disclosures (TCFD):** We became supporters of the TCFD and issued our first annual TCFD report in 2022.
- **Institutional Investors Group on Climate Change (IIGCC):** We became a member and participated in several virtual events including topics such as the application of the Net Zero Investment Framework by asset managers.
- **Partnership for Carbon Accounting Financials (PCAF):** We are a North American PCAF Signatory and our participation to date has informed our selection of carbon metric reporting both for investee companies held in our portfolios for clients, and for Harding Loevner's emissions reporting as an operating business.

Promoting Well-Functioning Markets: Active Managers Council

Harding Loevner is one of the eight founding sponsors of the Active Manager Council (AMC), a separately branded affiliate organization within the Investment Adviser Association (IAA). Both active and passive management have important roles in asset management. The AMC's role is to advocate for a more balanced narrative about the two approaches and to educate investors through curated research and events. Namely, the council seeks to:

1. **Provide** balance to the intellectual debate about the efficacy of active management by supporting and curating studies on the question;
2. **Promote** research on the crucial role that active management plays in influencing market prices, and thereby fostering efficient markets and capital formation; and
3. **Increase** policymakers' and the public's understanding of the value of active management, to investors and to the maintenance of healthy capital markets.

Active management plays a crucial part in stewardship and ESG integration. Unlike passive managers, active managers are not required to select investments based on index constituency, allowing for customized portfolios and engagements. For example, a manager may identify investments that advance an investor's non-financial goals or discuss sustainability factors with corporate managements on an investor's behalf. Active managers also play an important role in corporate governance, by encouraging strong stewardship at the companies in which they invest.

Among current employees, Harding Loevner's chairman, vice chairman, and a portfolio specialist have each actively contributed to the AMC's efforts. Most notably, in February 2022, our vice chairman, Simon Hallett, who serves as the chair of AMC's Research Task Force, participated in a webinar series titled "Balance the Narrative II: Broadening the Discussion on Active Management," focusing on reassessing the conventional wisdom about active management, active management's role in relation to ESG integration, and measuring the success of active management.

The AMC recently has commissioned two academic studies—one on the role of active management in contributing to market efficiency and another on historical performance of active mutual funds—that are positively contributing to public discourse on the role of active management in well-functioning markets.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

We regularly review and enhance the policies that guide our investment decision-making and stewardship, including those related to conflicts of interest, proxy voting, engagement, and ESG integration.

Review & Assurance of Policies

Internal Assurance of Compliance Policies & Procedures

Harding Loevner conducts an annual review of the adequacy of the firm's compliance policies and procedures. We believe that this regular review is an important way to assess the implementation of these policies and identify areas for potential improvement. This review includes ongoing testing of the firm's policies and procedures, including those related to stewardship, including Proxy Voting, Client-Directed Brokerage Arrangements, Best Execution, and Code of Ethics.

The general counsel & CCO prepares a memorandum upon completion of the review that contains a balanced, understandable, and rigorous assessment of the adequacy of the policies as well as any suggested improvements. Our 2022 review did not identify any material deficiencies to our policies.

Stewardship-Specific Internal Assurances & Disclosures

In addition to the annual review of our policies, we undertook the following reviews specific to stewardship-related initiatives in 2022:

- Our approach to responsible investment, published as How Harding Loevner Invests Responsibly, was reviewed by our CIO and co-deputy director of research as part of an annual review process. The two are responsible for overseeing this policy and ensuring necessary tools to implement this policy are available and consistently applied. Our Proxy Voting Policy is reviewed annually by the general counsel & CCO.
- We published a summary of the most significant proxy votes cast in 2021, in accordance with the requirements of the Shareholder Rights Directive (SRD II).

Third-Party Assurances

Each year an external auditor, Ashland Partners & Company, LLP, conducts an ISAE 3402/SOC 1 review of Harding Loevner's internal controls, including (but not limited to) stewardship-related policies, such as those related to proxy voting, trading, and execution.

For the Harding Loevner Funds plc ("HL UCITS"), KB Associates serves as the third-party management company. In this capacity, KB Associates reviews all the HL UCITS policies and procedures, including those related to stewardship, and offers critical feedback and suggestions for improvement.

Apex Companies, LLC has conducted independent verification on the accuracy and the underlying systems and processes used to collect, analyze and review the greenhouse gas (GHG) emissions reported by Harding Loevner LP for its business-related operational footprint and offset purchasing program.

Cybersecurity

Harding Loevner has a robust internal control environment in respect of its information systems and cybersecurity practices. We use the National Institute of Standards and Technology ("NIST") Framework to manage cybersecurity risks and help internally assure that cybersecurity activities are aligned with individual business requirements. We endeavor to apply best practices of risk management to improving the security and resilience of critical infrastructure. Our Managed Security Service Provider's (MSSP) network interceptor monitors our internal and external network connections, and we perform annual penetration tests rotating various providers.

Fair, Balanced, and Understandable Stewardship Reporting

In all our communications with clients, prospective clients, and intermediaries, we aim to provide fair, balanced, and understandable reporting, including on the progress of our stewardship initiatives. The information in this response to the UK Stewardship Code was reviewed by Harding Loevner's CEO, CIO, vice chairman, general counsel & CCO, deputy director of research, and ESG analyst to ensure that details were presented in a fair, balanced, and understandable way, and that all information presented is accurate as of December 31, 2022.

This report was constructed using the Financial Reporting Council's guidance and reporting manual as well as law firm reviews and analyses of the FRC's guidance and updates. We have also incorporated direct feedback that we received from the FRC on our previous reporting.

Continuous Improvement

As part of our membership in industry organizations (see Principles 4 and 10), we engage with our peers to identify areas of future focus and improvement, as well as helping to develop best practices for the industry. We are also continuously working to improve our reporting capabilities to help us better serve clients, as well as improve our reporting to the FRC and the PRI.

Improvement to Processes: Carbon-Metrics Reporting

We seek to enhance our analysis of emissions data for holdings in our Global Paris-Aligned and International Carbon Transition strategies by cross-referencing and verifying carbon emissions data from MSCI ESG Research with CDP and primary sources reported from companies. This additional verification step serves to improve emissions data quality and will support our ability to provide clients carbon-metric reporting for their portfolios, an area in which we expect increased interest in coming years. We are also seeking best practices for reporting on carbon emissions through the PCAF, with third-party independent verification to accompany our TCFD-aligned carbon emissions reporting for Harding Loevner's operations.

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

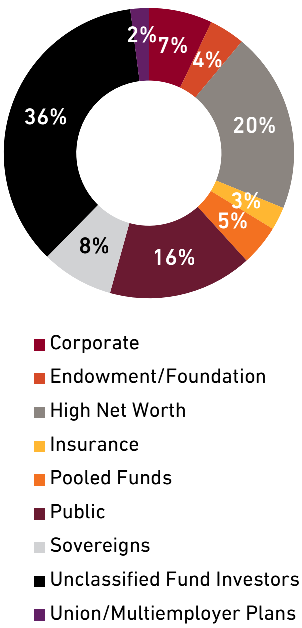
Harding Loevner Client Base

Harding Loevner manages assets on behalf of a wide array of clients across multiple investment strategies, each of which adheres to our quality-growth investment philosophy. Our client assets are invested in publicly traded equities, across a range of geographies. As of December 31, 2022, Harding Loevner had $56 billion in total assets under management.

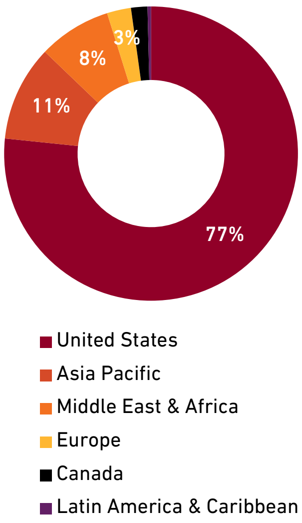
Harding Loevner AUM by Client Type and Domicile

As of December 31, 2022

AUM by Client Type



AUM by Client Domicile



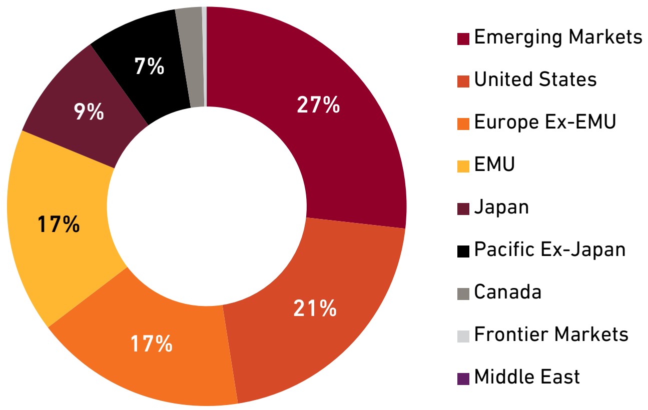
Harding Loevner AUM by Strategy

As of December 31, 2022

Strategy	AUM (US$)	% of Firm Assets
Global Equity	$15.1B	27%
International (non-US) Equity	$32.4B	58%
Emerging Markets Equity	$7.2B	13%
Chinese Equity	<$0.1B	<1%
Frontier Emerging Markets Equity	$0.2B	<1%
Global Small Companies Equity	<$0.1B	<1%
International Small Companies Equity	$0.6B	1%
Research Portfolios	<$0.1B	<1%
Total	**$55.6B**	**100%**

Harding Loevner AUM by Investment Geography

As of December 31, 2022



Taking Account of Client Needs

In recognition of the varying perspectives of our diverse client base, we intentionally do not promote a particular world view or set of values in the management of our portfolios. Instead, wherever possible, we support our clients in pursuing their specific investment goals, which for many includes implementing specific ESG-related solutions. Harding Loevner has an extensive history of partnering with clients to meet their specific investing needs:

Our in-depth research allows us to tailor portfolios to meet specific responsible investing goals of our clients. For some, this may include trying to better society or protect the environment; for others, it might mean avoiding investment in companies engaged in activities or practices at odds with their values, mission, or religious beliefs. We manage substantial client assets according to Catholic and other religious principles, with guidance provided by or developed in conjunction with the client. Our breadth of experience extends beyond exclusionary screening; we have partnered with clients to incorporate specific emissions targets, to adopt a best-in-class portfolio construction approach, and to conduct ESG-focused engagements on specific issues selected by the client.

1989 (founding)
Integrated sustainability into investment process

1994
First portfolios with Human Rights & Environmental exclusions

1995
First portfolios with Catholic Values and Public Health exclusions

2010
First portfolio with Islamic Values exclusions

2012
Incorporated Glass Lewis data to support proxy vote decisions

2013
Incorporated MSCI ESG data to improve screens

2017
Global Equity ESG First portfolio managed to ESG Index benchmark

2018
First portfolio with Best-in-Class mandate

2019
Global Equity ESG Composite established

2020
First portfolio managed to carbon targets

2021
First portfolio with ex-fossil fuels mandate

2022
Global Paris-Aligned Equity & International Carbon Transition Equity strategy launched

Tailored Solutions for Custom ESG-Related Mandates

Values- and Norms-Based Screening
Exclude from portfolio certain businesses, such as tobacco, alcohol, gambling, or fossil fuels

Best-In-Class Portfolios
Focus portfolio on companies with particularly strong environmental or social profiles

Customized Engagement
Engage according to values, including those around emissions, diversity, and labor relations

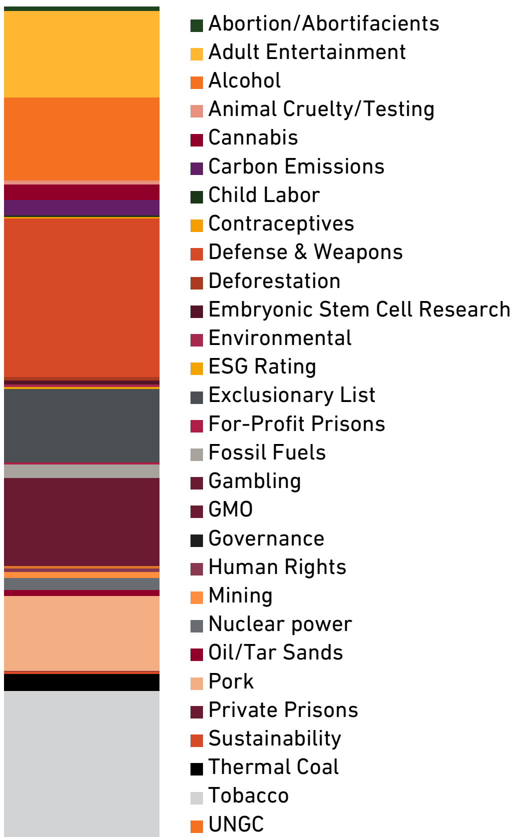
Environmental Targeting
Manage portfolio according to environmental targets, including those related to carbon emissions

Directed Voting
Vote proxies in portfolio according to values and priorities

ESG Reporting
Provide customized reporting of ESG metrics

To implement these custom solutions, we manage separate account portfolios that closely follow our unconstrained strategy model portfolios. As of December 2022, we managed 88 client accounts totaling approximately $10 billion in client assets with custom ESG-related mandates.

AUM of Accounts $10B



AUM as of December 31, 2022; ESG chart exclude accounts accessing Harding Loevner's investment strategies via a wrap or SMA platform and are presented as supplemental information. AUM data shown are in US dollar terms. Exclusionary List refers to a list of specific restricted securities provided by the client.

In addition to these ESG-related account customizations, Harding Loevner also has extensive experience customizing client portfolios to meet non-ESG-related goals, including restrictions around related entities or home country exposure.

Seeking Client Views

Our client service teams, totaling 23 individuals, work closely with our clients to seek and receive their views on their investment goals, and to try and ensure that their investment portfolios align with those goals. We believe that this direct communication is the most effective way to understand the diversity of views held by our clients.

Additionally, portfolio managers, analysts, portfolio specialists, and senior leadership often meet with clients, as well as their advisers or consultants, to address client inquiries. In 2022, we conducted more than 750 meetings with clients that included senior leadership or investment professionals. During these meetings, we often discuss our stewardship efforts.

Each quarter, we provide clients and consultants with detailed reports on the portfolio's holdings, performance, and investment perspectives; we also provide a shorter monthly report that contains the top 10 positions, performance attribution, and a brief commentary. For some clients, we provide custom reporting as needed. The client service teams also respond directly to questions from clients regarding the strategy or the firm, in close coordination with portfolio managers.

We also offer a quarterly, web-based, interactive presentation for our largest strategies featuring discussions with a portfolio manager. The webcasts are archived on our website, which also contains other important documents for clients, including our prospectuses, annual shareholder letters, and the complete history of quarterly reports that the firm has published.

Actions Taken Based on Client Views

We routinely request feedback from our clients on the quality of the client service and account management that they receive from Harding Loevner. We integrate that feedback into our year-end reviews of employees on our client service teams and consider enhancements to our efforts based on that feedback.

In 2022, we continued our ongoing conversations and responsiveness to clients' evolving needs and priorities. As described in Principle 9, we completed a three-year structured engagement program on behalf of a European institutional client which had a meaningful influence on our future stewardship efforts.

There were several other instances where we took actions this past year to serve clients' ESG needs:

- We worked with a New Zealand-based client to introduce a climate-focused benchmark for performance measurement, aligning with carbon intensity targets in their investment policy.
- A UK-based college invested in our Global Equity strategy, a client since 2010, updated its investment

policy to eliminate fossil fuels, which we achieved through exclusionary screens restricting exposure to the Energy sector and companies with fossil fuel reserves. We were further able to serve their climate investment policy objectives through the implementation of a climate proxy voting policy, via Glass Lewis. We coordinated several discussions with the client, as well as various proxy vendors, to present multiple options before deciding on the optimal course of action to meet the beneficiary's needs.

- A Danish client, for whom we sub-advise several public funds, consulted with our team as they worked to adapt to new regulatory disclosure requirements under the Sustainable Finance Disclosure Regulation (SFDR). We helped the client by providing feedback on SFDR Regulatory documents, as well as detailed information on ESG-related actions and outcomes from our investment process.
- An Australian institutional client requested that we create an ESG reporting package for our Global Equity strategy that would contain information on material ESG engagements, a proxy voting record (including reasons for voting against management), and carbon footprint attribution. This bespoke package continues to evolve as we roll out variations for additional clients.

New Product Development

Harding Loevner launched several new strategies in response to investor needs in 2022. Often, requests of existing or potential clients have led to the launch of new strategies to meet their needs. When there is a commonality in these requests, we may formalize a product, with a corresponding composite and model portfolio, and market the strategy more broadly. Any new products leverage the firm's consistent, fundamental investment research approach. As a prerequisite to any product launch or account customization, we ensure we have the appropriate human and technological resources to implement the product responsibly and effectively. Providing investors with a focused, differentiated product suite allows us to address disparate investor allocation preferences within the asset classes in which Harding Loevner already specializes.

In September 2022, we established the Harding Loevner Emerging Markets ex China strategy. The strategy leverages our emerging markets expertise and seeks long-term capital appreciation through investments in equity securities of emerging markets companies outside of mainland China. Emerging Markets ex China is a complement to the Chinese Equity strategy launched in 2020 and rounds out our broader emerging markets offerings to clients, enabling them to allocate to emerging markets as a whole or discretely to China and to emerging markets ex China. We also expanded the availability of our existing International Developed Markets strategy, establishing a mutual fund version of the product.

In response to a growing number of investors who have incorporated a net-zero requirement within their investment policy, Harding Loevner launched the Global Paris-Aligned and International Carbon Transition strategies in 2022. Both strategies seek long-term capital appreciation through investments in high-quality, growing companies that Harding Loevner believes have a viable pathway to achieve net-zero greenhouse gas emissions by 2050. The strategies are an organic extension of carbon-focused account customizations we have been managing for several existing clients. The strategies prohibit investment in companies with ownership of fossil fuel reserves as well as those which derive more than 25% of their revenue from oil-, gas-, or coal- related activities. For the remaining companies, we assess their progress toward emissions reductions, exclude any companies that we do not believe to have a viable pathway to eliminate their net emissions by 2050, and engage with companies to ensure continued progress.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfill their responsibilities.

Companies that operate with disregard for their environment, for the societies in which they pursue their business, or for the principles of governance by which they are supervised may compromise the growth and sustainability of their cash flows. We further believe that a deterioration of a company's ESG profile can manifest in higher costs (such as regulatory costs or penalties, higher capital expenditures, or higher R&D) or lower revenue (due to reduced customer appeal or even loss of license to operate or loss of access to resources). ESG risks can be particularly meaningful when they threaten a company's competitive advantage or when a company's ability to mitigate material risk is limited due to financial strength or poor governance. Conversely, environmental and social trends can offer growth opportunities or strengthen a company's competitive position. Ultimately, we believe that the impact of ESG exposures on share prices and investment returns depends on the extent to which the market understands and appropriately discounts those risks and opportunities.

Our Consistent Approach to Stewardship Integration and Investment

Our approach to responsible investment is described in How Harding Loevner Invests Responsibly. All members of the investment team consider ESG factors as part of the research process (see Principle 2). While the risks and opportunities differ across industries and countries, we utilize a common approach and set of tools; accordingly, our ESG integration and stewardship does not differ across strategies, geographies, or assets. We believe that this common approach results in higher-quality analysis, discussion, and decision-making.

While Harding Loevner's analysts have access to data from third-party service providers to facilitate their consideration of ESG issues, our analysts are responsible for integrating ESG or stewardship activities into our process.

Since our founding in 1989, Harding Loevner has focused on the sustained profitability and growth of the businesses in which we invest. Over time, we have formalized our consideration of ESG issues that could impact a company's ability to grow sustainably. These enhancements are detailed in the timeline below:

1989 (founding)
Integrated sustainability into investment process

2000
Added corporate governance to our qualitative assessment scores

2006
Introduced Corporate Governance Elimination Checklist

2016
Introduced ESG Scorecard into process

2020
Appointed ESG analyst
Introduced Materiality Framework into process
Introduced Engagement Manager to track engagements

2021
Appointed ESG Associate
Introduced ESG Dashboards

2022
Enhanced ESG Scorecard
Integrated E&S Red Flag Checklist into process
Appointed ESG strategist

ESG in our Investment Process

Harding Loevner has systematically integrated the assessment of ESG risks and opportunities into each stage of our investment process:

- **Initial Qualification:** Analysts consider how ESG issues could impact a company's ability to meet our four key criteria of competitive advantage, sustainable growth, financial strength, and management quality.
- **In-Depth Research:** Analysts complete a company research report, inclusive of an ESG section that may include scenario analysis and discussion of differences of the company's ESG risks and opportunities versus peers. ESG issues of particular concern may affect the analyst's forecasts of a company's growth, margins, capital intensity, or competitive position.
- **Valuation & Rating:** ESG risks and opportunities are an input into our valuation model and can influence the projected future cash flow of the company.
- **Portfolio Construction:** Portfolio managers consider ESG risks and opportunities at the portfolio level, including customizing the portfolios of individual clients based on specific, client defined ESG goals.
- **Continuous Evaluation:** Analysts continually monitor changes in ESG risks and opportunities over the investment time horizon of each company and engage with the company when necessary.

We think that each company's primary analyst has the deepest understanding of the company and its industry and is best equipped to discern and evaluate possible environmental, social, and governance (ESG) risks and opportunities, rather than relying solely on separate analysts. Placing the responsibility for this evaluation with the company's primary analyst ensures assessing these risks and opportunities is embedded in our fundamental analysis, rather than addressed as an afterthought. Analysts are also responsible for engagement with their companies and for determining how to vote proxies, except for a subset of climate-related strategies which follow a third-party thematic voting policy through Glass Lewis for climate-related votes.[2]

2. As of December 31, 2022, the climate-related strategies are the Global Paris-Aligned Equity Strategy and the International Carbon Transition Equity Strategy.

Sector and country analysts are supported by subject matter expertise from our ESG analyst and ESG associate, who assist their colleagues by sharing their deep knowledge about ESG and related issues. Those experts also develop analytical tools and checklists to aid in uncovering and evaluating climate-related and other risks and opportunities. Portfolio managers are accountable for incorporating ESG factors into their assessment of a company's risk-adjusted return.

Our analysts use several proprietary tools to guide their assessment of ESG-related risks and opportunities. These tools include:

Corporate Governance Elimination Checklist

Upon commencing research on a company, the analyst reviews its governance using a 14-point checklist to ensure companies with poor governance are eliminated from consideration.

Examples of governance issues addressed in the checklist include management nepotism, criminal history, or excessive compensation; a record of accounting changes or restatements; and a history of abuse toward minority shareholders.

Environmental and Social Red Flag Checklist

The analyst also completes our 15-point Environmental and Social Red Flag checklist to determine if the company faces any severe E and S risks that require closer analysis during the analyst's research on the company.

Examples of the risks addressed include acute or chronic impacts of climate change, poor compliance with environmental regulations, cybersecurity, relationships with local communities, and risk of corruption.

ESG Scorecard

The analyst's in-depth company research includes using our ESG Scorecard to evaluate 29 distinct ESG factors, like climate change, treatment of customers, labor practices, community relations, cybersecurity, and management-shareholder alignment. For each factor, the analyst assesses the extent to which it represents a risk that could threaten, or an opportunity that could support, the sustainability of the company's profitable growth.

The Scorecard provides a consistent framework for comparing companies' ESG risks and opportunities across all industries and geographies. It also ensures that analysts systematically evaluate key areas of risk for all companies under coverage and fosters transparency in how analysts assess the potential impact of ESG on a business's future prospects.

ESG assessments may affect the analyst's long-term forecasts of growth, margins, capital intensity, or competitive position. The analyst also determines an overall ESG Risk Score for all companies; this score is incorporated into our valuation model, where it affects projected cash flows.

ESG Materiality Framework

Our ESG Materiality Framework helps analysts communicate the environmental and social issues most relevant to a specific industry. To create the framework, we adapted the SASB Materiality Map through feedback from our sector analysts on the most material ESG exposures by industry, forming a customized tool.

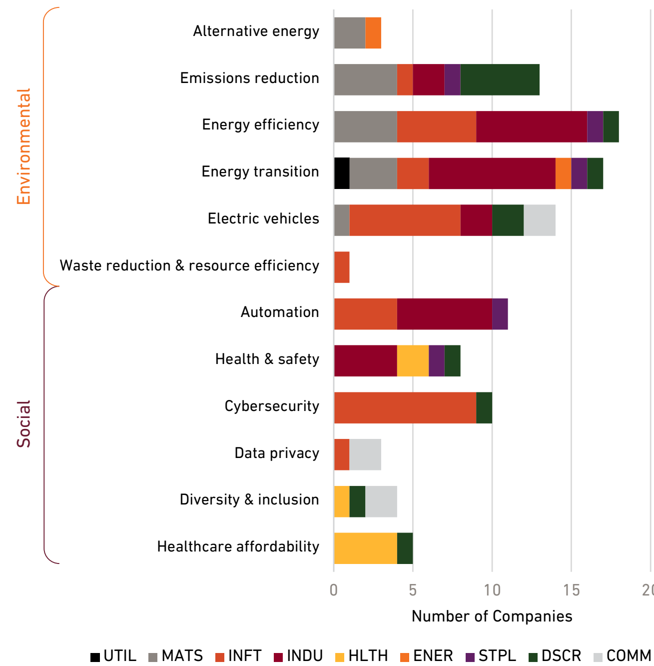
Examples of environmental and social exposures highlighted in the framework vary by sector. In the Materials sector, for example, key issues include energy transition management, air quality, greenhouse gas emissions, and waste management. In the Financials sector, key factors include lending practices, transparency, and the environmental risk to mortgaged properties. Harding Loevner's website contains an interactive excerpt of our Materiality Framework.

Assessment of Outcomes: Focus on Companies with Above-Average ESG Profiles

Our focus on high-quality, long-duration growth businesses and our systematic integration of ESG issues into the research process leads us to avoid companies whose growth and ability to generate sustainable cash flows is substantively threatened by ESG risks. Generally, the companies that we cover tend to exhibit both favorable quality-growth profiles and above-average ESG scores.

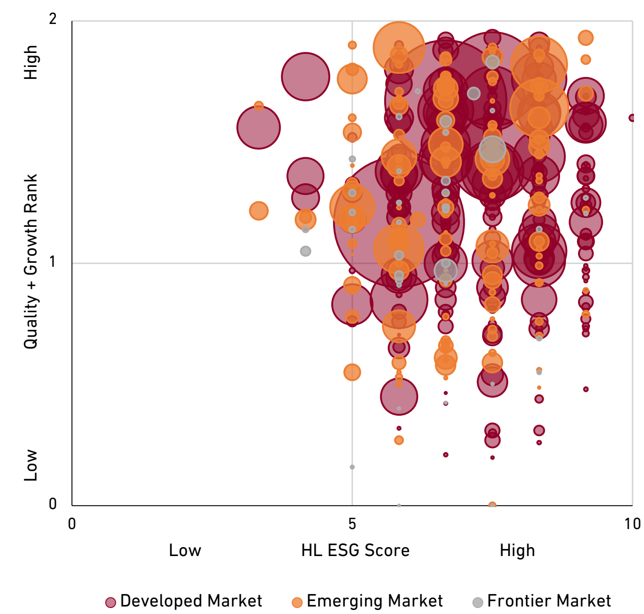
In addition to avoiding companies with poor ESG profiles, our quality-growth focus and long-term horizon forces analysts to pay close attention to evolving ESG issues. Several companies held in our strategies are net beneficiaries of sustainability trends, which should ultimately contribute to improved revenue growth or profitability. Across our portfolios, over 60 companies demonstrated significant revenue generation from products or services in energy efficiency, energy transition and electric vehicles, particularly in the Industrials and Information Technology sectors.

Portfolio Holdings that Benefit from ESG Tailwinds



HL Analyst Quality-Growth Score vs. ESG Score

Researched & Rated Companies



X axis represents the HL analyst ESG score, ranging from 0 (low ESG score) to 10 (high ESG score). Y axis represents the combined quality and growth scores for the company, which are based on a series of quantitative, objective metrics. The higher the bubble on the Y axis, the more favorable the quality-growth metrics for the company.

Portfolio Decisions Based on Information Gathered Through Stewardship

Over the course of 2022, our understanding of companies' ESG-related risks and opportunities contributed to several portfolio decisions, including but not limited to the following:

Environmental

- In our Emerging Markets Equity Strategy, we increased our exposure to the Brazilian industrial equipment manufacturer WEG, which is pursuing several growth opportunities related to renewable energy. The company's initiatives include leveraging its experience in industrial-scale solar energy farms to develop distributed solar energy systems for households, as well as applying its expertise in energy systems to make electric vehicle (EV) charging stations.

We also added two new holdings to the Emerging Markets and Chinese Equity portfolios whose growth is supported by environmental trends:

- LONGi is China's largest manufacturer of solar components and a critical player in global solar power generation. The company has weathered China's economic slowdown well and is positioned to benefit from both long-term pivots toward renewable energy and rising energy prices. The long-term global pivot toward renewable energy such as solar power has been given extra impetus by the crisis surrounding fossil fuel production and distribution since Russia invaded Ukraine. In January 2023, LONGi was also added to the International Equity strategy.

- China-based Shenzhen Inovance manufactures products that aid in industrial automation. The company reported strong growth in its EV business in 2021, and we expect its core automation business to benefit from long-term growth trends in industrial automation and electric vehicles, due to rising labor costs and the government's goal to combat air pollution.

Social

- In January 2022, the portfolio managers of our Frontier Emerging Markets Equity strategy sold our holding in Ukrainian diversified agribusiness conglomerate Kernel due to concerns over geopolitical tensions in its region of operation. Kernel is the largest producer of sunflower oil in Ukraine and is vertically integrated, maintaining nearly all aspects of its business, from sunflower farming and crushing to grain shipment, in its home country. As tensions rose in late January, our portfolio managers became concerned that Kernel's operations would be disrupted by a potential invasion of Ukraine by Russia and sold the holding.

Governance

- Our analyst identified a material change in the accounting treatment of intangible capital expenditures relating to customer acquisition at Homeserve, a UK-based provider of home emergency repair services. This concern, in conjunction with an expected slowdown in growth expectations, led our portfolio managers to sell this position from our International Small Companies Equity Strategy.

Continuous Improvement

In 2022, we held training sessions with analysts on the use of new tools and to implement a revised ESG Scorecard across our entire investment universe, refreshing ESG scores across all companies under coverage by our Analysts. This updated Scorecard also introduced consideration of ESG-related opportunities that may influence the growth profile or profitability of a company.

Our ESG analyst and ESG associate worked to enhance a quarterly ESG Dashboard first introduced in 2021, which provides analysts and portfolio managers with both company- and portfolio-level ESG and climate-related information. We added enhanced portfolio-level climate metrics and added MSCI ESG company ratings change flag indicators for each portfolios' holdings to this internal ESG Dashboard.

In 2023, our team will look to engage with MSCI to examine its forthcoming MSCI One platform to access historical data such as weighted average carbon intensity and global norms screening, among other things. These activities are supported by the work of our data strategy and automation team, which created a new data warehouse in 2022 with the goal of integrating different data sources and enhancing our firm's analytical capabilities.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Harding Loevner closely monitors and holds to account the third-party service providers ("vendors") with which we have contracted. Harding Loevner generally engages vendors who supplement our internal processes; we do not outsource entire work streams to external parties. Our due diligence process is designed to ensure that we receive exceptional service. We hold all vendors to the same standards of professional behavior that we expect of our employees. We will terminate our relationship with a vendor if service standards are not consistently met or if we find another provider that can more effectively meet Harding Loevner's needs.

Vendor Due Diligence

Harding Loevner's Vendor Management Committee is responsible for approving and overseeing the overall vendor due diligence and monitoring process. The members of the Committee include Harding Loevner's president, CFO, CCO & general counsel, and COO. The Committee uses a risk-based categorization rubric, based on the criticality of the services performed and the level and location of data access, to determine the frequency and substance of initial and ongoing reviews.

For each vendor, one or more employees are assigned the responsibility of supervising the relationship. Vendor supervisors perform due diligence on each new proposed vendor, which could include, but is not limited to, consulting with peer firms on their experiences with service providers, collecting comprehensive due diligence questionnaires or other relevant control documentation for the services required, conducting reviews of the IT environment and controls (including cybersecurity and disaster recovery), onsite visits and peer comparisons, and completing reference checks of the potential service provider. The Vendor Management Committee reviews and must formally approve any new vendor.

In addition, Harding Loevner's IT team, legal and compliance team, and other areas of the firm review the vendor's processes where applicable. For example, if a vendor requires access to systems maintained or provided by another vendor, our IT team will conduct a review of the process required to link the systems to ensure the safety and security of our employee and client data.

Once approved, the vendor supervisors monitor Harding Loevner's third-party service providers through regularly scheduled operational meetings and ad hoc conference calls to discuss and resolve any issues as they arise. The firm also implements structured routine due diligence based on guidance from Harding Loevner's risk-based categorization system. This could include requesting updates to a due diligence questionnaire, reviewing reports of external auditors (e.g., SSAE18), conducting annual onsite due diligence (including IT review), and maintaining detailed service level agreements.

Harding Loevner reviews key vendors' cybersecurity and overall IT controls annually as part of the regularly scheduled due diligence. This review includes collecting security assessment and control documentation; for key vendors, a member of the firm's IT team will participate in the review. We would not hire a hire a vendor that lacked appropriate cybersecurity controls— a vendor that could no longer demonstrate strong data security controls could be terminated.

Vendors that may have access to sensitive data must enter a contract with Harding Loevner. The contract includes a confidentiality agreement and stipulates compliance with security standards, audit reporting, breach notification, escalation procedures, and ongoing monitoring.

Vendor Monitoring & Accountability

After hiring a key vendor, we monitor their performance through a mix of regular meetings, onsite due diligence, and reviews of external auditor reports (e.g., SOC 1/SSAE18), depending on the services provided by the vendor and whether they are considered a key vendor. For certain vendors, specific service standards are outlined, or key performance indicators are set and monitored through operational review procedures, annual evaluation reports, or other means. For example, we consider proxy voting service providers to be key vendors of our firm. For every company meeting in which Harding Loevner casts proxy votes, we reconcile the vendor's record date positions with the positions in our portfolio accounting system to ensure that the vendor has executed all votes according to our instructions.

In 2022, all our key vendors delivered services that met Harding Loevner's expectations. If a vendor issue arises and cannot be resolved in a timely manner, our Vendor Management Committee and the employee assigned as the vendor supervisor conduct a review of the issue and determine appropriate actions, which might include an examination of alternative providers.

Ongoing Review of Vendor Due Diligence Process

Each quarter, the Vendor Management Committee meets to discuss key issues and approve new vendors or updates to the vendor management process. Vendor owners conduct an annual review of all key vendors, during which the vendors are asked to confirm to Harding Loevner if there have been any material business or financial changes that have occurred since the last review. The Committee receives a summary of these annual reviews.

The vendors are also asked to provide responses to any new questions that we have added to our DDQ (Due Diligence Questionnaire) to capture emerging risks related to vendors. The Committee reviews the vendor management process annually. The most recent updates to the DDQ included the addition of questions regarding cybersecurity and modern slavery risks.

Vendors that Support Responsible Investment at Harding Loevner

Harding Loevner uses several vendors to support our stewardship efforts, including MSCI ESG, Bloomberg, Glass Lewis, and SASB (see Principle 2 for more details). We also use vendors to facilitate our proxy voting, including:

Broadridge	Allows Harding Loevner to vote shares on behalf of clients through ProxyEdge platform.
ISS	Provides custom proxy voting services for separate account clients with specific proxy voting guidelines.
Glass Lewis	Enables custom voting through Climate and Catholic policies.

These vendors inform and supplement our stewardship efforts and our understanding of ESG issues; however, none of these resources are substitutes for the fundamental research and proxy vote determinations by each analyst.

These vendors enable, inform, and supplement our stewardship efforts and our understanding of ESG issues; however, none of these resources are substitutes for the fundamental research and proxy vote determinations by each analyst.

We routinely review the services provided by these ESG-related vendors in accordance with the routine monitoring practices outlined above. In 2022, we began utilizing ISS vote outcome data to improve reporting and to further engage with companies.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

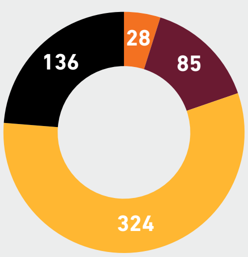
We regularly engage with company managements to discuss the potential impact of a variety of risks and opportunities for growth as competitive industry dynamics inevitably evolve. Through our active engagement and strategic proxy voting, we seek to promote high standards of corporate behavior and to encourage companies to adopt the best business practices that foster sustainable growth, such as a company's approach to navigating climate change and energy transition, human capital management, and its investments in cybersecurity. We do so consistently across all our investment strategies.

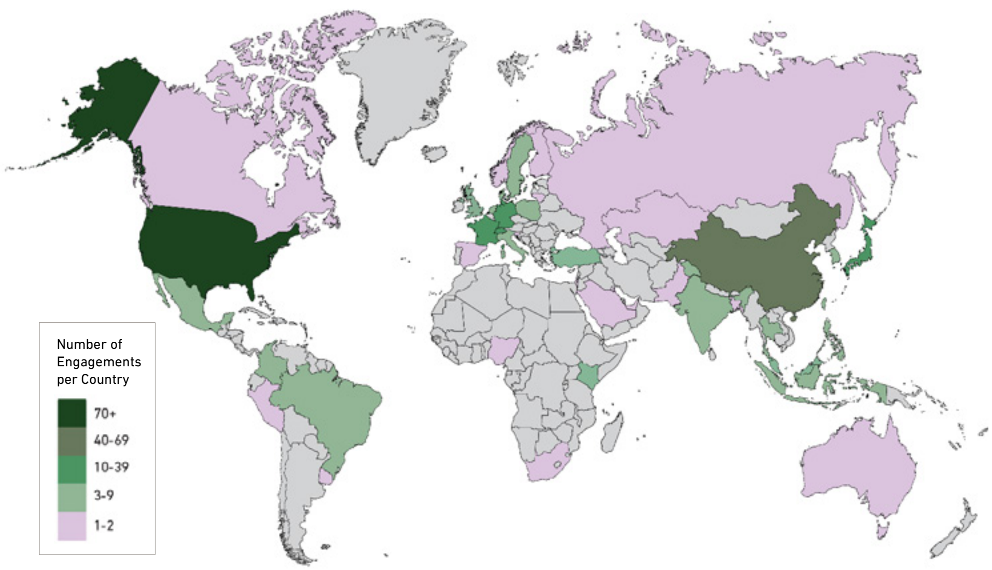
Our long-term approach also aids our engagement efforts and effectiveness. We find that company managements tend to be more receptive to engagement by long-term investors. Moreover, successful engagement can take time and our holding period allows us to pursue continued dialogue. In some cases, our long holding period also increases our voting power, as certain companies provide increased voting rights to long-term shareholders.

ESG Engagements in 2022

We conducted **1,300+** meetings and engaged with **240+** companies

Number of Engagements





2022 Topics of Engagement, Sorted by Frequency

Environmental

- GHG Emissions
- Energy Transition
- Environmental Regulations
- Land Use/Deforestation
- Water
- Climate

Social

- Russia-Ukraine Conflict
- Social Regulations
- Human Capital Management & DEI
- Data & Cybersecurity
- Geopolitical Risk
- Human Rights
- Customer Relationship
- Management Succession Planning
- Right-to-repair
- Community Relations
- Product Quality
- Employee Health, Safety and Well-being
- Conflict Zones
- Access & Affordability

Governance

- Board Independence
- Remuneration
- Share Issuance
- Director Election
- Board Effectiveness & Diversity
- Minority Shareholder Rights
- Auditor
- Unfettered Discretion
- Articles of Association Changes
- Transaction Authorization
- Corporate Governance & Management
- Buy Backs/ Dividends

ESG Engagements include all letters sent following the proxy voting process as well as all written and documented oral communications where the primary purpose of engaging with company management was to discuss environmental, social, or corporate governance issues. "Company meetings" includes one-on-one meetings, group meetings, and a small number of meetings with industry experts and brokers.

Methods of Engagement

For all our holdings, across all strategies, geographies, and sectors, Harding Loevner engages with companies in several ways:

- **During fundamental analysis:** We meet with management teams to further our understanding of businesses and the industries they operate in. Often, these meetings lead to discussion and analysis of the potential impact of ESG risks and opportunities on long-term returns. We identify and engage on ESG-related controversies that may be industry, geography, or company specific as they arise from time-to-time. We consider an interaction as an engagement when an analyst raises an issue with management leading to substantive dialogue, whether that be relating to environmental, social, governance, disclosure, or other topic representing a material risk or opportunity for the business.

- **Following a vote against management:** As a standard practice, whenever we vote against a company's management on a proxy item, we write directly to the company to explain our rationale and invite further discussion on the matter. This both improves accountability and transparency and promotes constructive dialogue and engagement.

- **Through structured engagement:** As discussed later in this section, we identify specific portfolio holdings with which to engage on topics such as improving ESG disclosure, board diversity, or managing the impacts of climate change. We also engage with companies on other specific initiatives as directed by our clients.

Engagement Approach

We know that responsible ownership over the long term requires active engagement. That engagement allows us to understand the risks and opportunities that companies face and to share our views on them. When we disagree with specific business strategies or practices, we encourage change through written and verbal communication and by strategic proxy voting, summarized below. Two-thirds of our engagements were conducted in writing via email or letters while one-third were through meetings with companies, either virtually or in-person.

Our approach to engagement does not vary by geography. However, our engagement practices may change to reflect local regulations and cultural differences. We find, for example, that management teams and boards in emerging markets and certain countries such as Japan are more responsive to in-person dialogue or a combination of in-person and written communications and we adjust our approach accordingly.

Illustrative 2022 Individual Company Engagements

Environmental

Air Liquide (Industrial gases supplier)
Country: France
Sector: Materials
Strategy: International Equity, International Carbon Transition Equity

We engaged with Air Liquide regarding GHG emissions, a material consideration for this supplier of industrial gases, to get a full picture of its ambitious decarbonization strategy and how it relates to its business strategy. Management is not launching new projects that they can't decarbonize to avoid missing their absolute decarbonization targets but at the same time they see decarbonization of clients' projects as a new business opportunity. Management incentives have an ESG component which we view positively.

Senior (Aerospace and auto parts manufacturer)
Country: United Kingdom
Sector: Industrials
Strategy: Global Small Companies Equity, International Small Companies Equity

Emissions are a financially material consideration for Senior. Our analyst and our company analyst and ESG analyst engaged with the company on its energy transition plan via an in-person meeting. Currently, Senior's emissions reduction efforts are mostly focused on sustainable aviation fuel. They are also participating in a program working toward an entirely hydrogen fueled plane by 2035. Our analyst will remain engaged with the company on its business mix and emissions profile to properly gauge both environmental risks and opportunities.

Country Garden Services (Residential property manager)
Country: China
Sector: Real Estate
Strategy: Global Equity, Global Paris-Aligned Equity, Chinese Equity

A dialogue was initiated with Country Garden Services because of our findings during our Paris-Alignment assessment and engagement protocol for this high carbon intensity company in the real estate sector. Our analyst and ESG subject matter experts identified a need for the company to improve its disclosure on climate risks, climate governance, and to set GHG emissions reduction targets. We shared our recommendations and will keep monitoring the company's progress.

Social

Ping An Insurance (Insurance provider)
Country: China
Sector: Financials
Strategy: International Equity, International Carbon Transition Equity, Emerging Markets Equity, and Chinese Equity

We communicated with this insurer to understand how the company is mitigating risks associated with a high number of consumer complaints that reflect poorly on the social and business implications of its consumer stakeholders. The company explained that a high absolute number of policyholder complaints was exacerbated by agent turnover. They pointed out that complaints among peer firms have also been rising while its are falling, so they expected improvements in the near term. They also expected that coming industry reforms would be supportive of improved customer protections.

Paradox Interactive (Video game publisher)
Country: Sweden
Sector: Communication Services
Strategy: Global Small Companies Equity, International Small Companies Equity

Our analysts engaged with Paradox Interactive due to an acute controversy relating to a harassment report and subsequently poor results on an employee harassment survey. The company's approach was to investigate and address serious cases. Management had seemed less proactive in addressing lower-level harassment that is pervasive in the gaming industry, and they have also been reluctant to take a public stand on the issue. Paradox responded by completing an external survey on harassment and results were improved. Our analyst will continue to pay attention to management and its progress regarding culture at the company.

Kering (Luxury goods manufacturer)
Country: France
Sector: Consumer Discretionary
Strategy: Global Equity, Global Paris-Aligned Equity, International Equity, and International Carbon Transition Equity

We participated in two calls with management and the board following the negative publicity surrounding two advertising campaigns by one of its fashion brands, Balenciaga. Kering acknowledged poor judgement and began a process to review its risk controls. The company is committed to strengthening oversight of the creative teams' choices, improving diversity of the oversight group, and revising contract practices with external parties involved in the creative process, as well as providing additional training. Our analyst's view is that this controversy has resulted in meaningful changes to the company's risk management procedures across all brands, which could reduce cultural missteps or controversies in the future.

Governance

Misumi Group (Machinery-parts supplier)
Country: Japan
Sector: Industrials
Strategy: Global Equity, Global Paris-Aligned Equity

We discussed an upcoming proxy vote regarding board of director nominees with the intention of improving board independence. Subsequently, the company nominated a Chinese female candidate as a new internal director for the board, and overall board independence improved to 45%. Our engagement will continue to encourage further improvement.

Li-Ning (Athletic footwear and apparel retailer)
Country: China
Sector: Consumer Discretionary
Strategy: Emerging Markets Equity, Chinese Equity

We engaged regarding a non-independent candidate on their proxy voting agenda. Management was trying to find an independent director to replace Sam Su, founder of KFC/Yum China, who retired in 2021. As a result, our analyst voted against management to express a consistent position that most of the board should be independent. The firm continued to search for a candidate with sufficient breadth and depth of experience, so our engagement remains open.

Coca-Cola HBC (Coca-Cola Bottler)
Country: Switzerland
Sector: Consumer Staples
Strategy: Emerging Markets Equity

Our analyst sought explanation for the company proposing a reset to past remuneration targets, expressing our opinion that adjusting past executive compensation targets was a poor corporate governance practice. The company acknowledged it was not best practice and that targets were set pre-COVID and they wanted to incentivize executives properly to perform relatively well despite extraordinary conditions. Our analyst voted against management and the engagement remains open after the concern was raised.

Structured Engagement on Behalf of a Client

In 2022, we completed a structured engagement program on behalf of a European client which has helped inform our approach to structured engagement going forward on behalf of all Harding Loevner clients. During a three-year cycle we engaged with companies held in our Global Equity strategy on the topics of enhanced transparency of ESG metrics disclosure and preparedness for the energy transition.

Beginning in 2020, this client asked us to engage on disclosure of ESG metrics and the alignment of company business models with a 1.5-degree Celsius global warming scenario, consistent with the Paris Agreement. In this first year of the engagement, we wrote to all the companies in the client's Global Equity portfolio either to address deficiencies we had identified or to commend the company's strategy or disclosure. In 2021, we continued by writing to companies with remaining deficiencies to acknowledge where improvements had been made.

At the end of this series of engagements in 2022, of the 34 companies that we owned for entire three-year period, 33 of them adopted at least one of our recommendations. We observed material improvement in the disclosure of companies' TCFD reports and GHG targets. As a result of our continuing dialogue, four portfolio companies proactively approached Harding Loevner for feedback on other ESG topics, such as their approach to sustainability frameworks and reporting, ESG materiality, and cybersecurity.

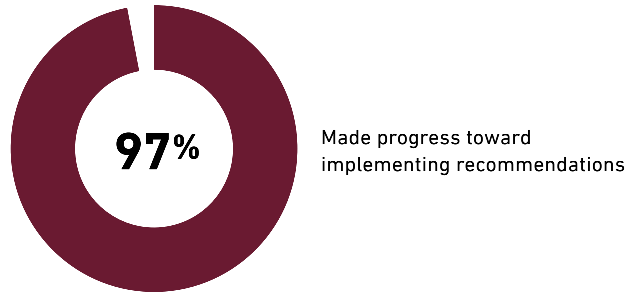
Engagement Timeline
Engaged based on identified deficiencies and analyst recommendation

2020
70 companies

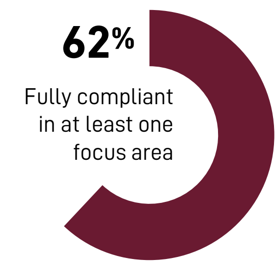
2021
61 companies

2022
53 companies

Outcomes
Of the 34 companies we owned for the three-year cycle:



Carbon Transition



Enhanced Transparency

Harding Loevner's Structured Engagement

In 2022, Harding Loevner initiated a structured plan to engage with companies about risks related to the physical impacts of climate change, energy transition, water, human rights (specifically labor rights and community relations), board diversity and effectiveness, and ESG disclosure. The goal is to identify companies with unaddressed material risks about which we have not previously engaged. The selection process involves a quantitative screen of holdings using third-party and Harding Loevner data, followed by analyst input, based on materiality and potential impact. Unlike our previous structured ESG disclosure engagement, which focused on developed markets companies, this new structured engagement is focused on emerging market and frontier emerging market companies. We will track the success of these engagements through 2024, with planned periodic follow-ups and reporting.

Additionally, we will undertake a structured engagement program on behalf of the Global Paris-Aligned and International Carbon Transition strategies, beginning in 2023.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Our Approach to Collaboration

Harding Loevner generally engages with companies independently, but we recognize that there are important occasions when engaging collaboratively with companies and policymakers can enhance the efficient functioning of capital markets and further the interests of all market participants, including our clients.

In choosing whether to engage independently or collaboratively with an owned company, we consider the strength of our relationship with the company, the materiality of the point under discussion, and whether collaboration creates an opportunity for greater impact. Collaboration may include discussions to better understand shareholder initiatives (such as shareholder proposals) or efforts to educate other investors about issues of particular concern. Typically, our covering analysts evaluate engagement opportunities on a case-by-case basis, while occasionally we consider collaborative engagement campaigns where the topics both align with the priorities of our clients and with Harding Loevner's focus on preserving the sustainability of future cash flows for the businesses held in our portfolios. In the case of collaborative engagements conducted by an advocacy organization, Harding Loevner's involvement is formally presented by our ESG analyst and reviewed by our ESG Working Group and Executive Committee. When we undertake collaborative engagements, we adhere strictly to all relevant regulations concerning the use of non-public information.

New Commitments in 2022

We newly supported and actively participated in several industry initiatives in 2022. As noted in Principle 4, we have committed to the Task Force for Climate-Related Financial Disclosures (TCFD) and have become supporters and members of the Partnership for Carbon Accounting Financials (PCAF) and the Institutional Investors Group on Climate Change (IIGCC). TCFD's main mission is transparency, through widespread adoption of improved disclosure of climate-related financial information. The financial risks and opportunities resulting from the transition to a low carbon economy and the physical risks of climate change should be part of any company's risk management function. For companies, asset owners, and asset managers, improved transparency of these considerations will allow for more efficient allocation of capital. We've joined PCAF to collaborate on best practices and standards for GHG emissions accounting, for our own reporting as an operating business, as well as for our investment work. Lastly, we elected to join the IIGCC to share experiences and approaches with peer investors, and to help us serve our European clients with climate-based investment goals.

Each of these industry initiatives was selected in alignment with the priorities of our firm and our clients. These organizations support transparency and consistency in reporting, efficient pricing of financially material risks (especially those relating to climate), and sensible management of physical and transition risks or opportunities—all components of prudent stewardship and risk mitigation. We also source best practices from these organizations for the increasing number of clients who have asked us to collaborate with them to achieve their climate and ESG-related goals. We stand behind collaborations like these by being part of their investor network meetings and working groups, supporting them financially, and contributing to their evolving dialogue by sharing our expertise and experience accumulated over more than thirty years of investing in global equities.

Future Collaboration Initiatives

We are participating in CDP's Non-Disclosure Campaign in 2023 on behalf our Global Paris-Aligned and International Carbon Transition Equity strategies, aimed toward encouraging companies to improve their environmental impact disclosures and transparency to benefit investor decision-making and to help promote a well-functioning financial system.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Harding Loevner engages with owned companies to protect shareholder value and influence positive change on material issues for those companies. If the management of a portfolio holding acts in a manner that we believe is detrimental to shareholders' interests, we will question management to understand their rationale and then determine an appropriate response.

Harding Loevner may continue to engage with management even if the initial engagement is unsuccessful. On a case-by-case basis we may escalate engagements via a vote against management (such as incumbent directors) or a decision to sell a security from a portfolio if the issue presents an unacceptable investment risk. For example, our analysts may have an initial conversation with management, and then either escalate the issue to board members, express our view via proxy vote, or consider collaborative engagement.

Our approach to engagement and escalation is consistent across listed equity investments. Escalation does not vary by strategy, domicile, or country of listing, and is instead predicated on whether the topic is material and whether the company is unresponsive to our initial engagement. Insofar as the topic of engagement presents an unacceptably high investment risk, and when Harding Loevner has not successfully influenced the company, our usual course of action is disinvestment. In all cases, our analysts will be mindful of cultural differences and practices across geographies when escalating engagements.

Continuous Improvement and Outcomes

Harding Loevner has improved its engagement tracking to better capture instances in which analysts make requests for specific stewardship-related actions as part of broader discussions with company management, such as a request for enhanced disclosures. These more detailed records yield better continuity in communications, enhanced progress monitoring, and more appropriate escalations when companies have not responded to such requests.

Engagement Escalation in 2022: Cosmos Pharmaceutical Corporation
Topic: Director Appointment

The Issue & Engagement:
Our analyst has written letters to Japan-based Cosmos each year since 2016 to express our concern around its board's lack of independence and, specifically, in 2020, to offer our explicit recommendation that independent directors should comprise at least one-third of its board. While we acknowledged that two independent directors were appointed in 2015, we have continued to vote against certain board appointments to express a view that further improvements were needed. We voted against the audit committee chair in 2021 and further escalated our engagement in 2022 by voting against reelection of the CEO and chairman, to hold the board accountable.

↓

The Outcome:
The CEO and chairman of the board was reelected. We subsequently included Cosmos in a structured ESG engagement on the topics of both board and audit committee independence, reiterating our view that the company would be in the best position to enhance shareholder value with a more independent governance structure. Our structured engagement letter built upon our proxy vote engagement letters to request a discussion with the company about its efforts to improve board independence. We are continuing to seek an in-person meeting opportunity to leverage our escalation into a potentially more influential discussion, which would also provide our analyst an opportunity to address succession plans at this founder-led firm.

Principle 12

Signatories actively exercise their rights and responsibilities.

We seek to use our proxy voting power to promote high standards of corporate governance, including the provision of adequate disclosure of company policies and activities, as well as fair and equitable treatment of shareholders. Additionally, we support board independence, for both individual committees and the overall board, and remuneration policies that align management with shareholder returns. We expect firms to maintain adequate disclosures, provide clear information in financial reporting, and offer shareholders regular access to company representatives. We vote in favor of proposals that we believe will benefit shareholders, regardless of whether the proposal is initiated by company management or shareholders; if company management or shareholders propose a policy that we believe will damage long-term value, we will vote against it.

Disclosure of Proxy Voting Policy

We disclose our Proxy Voting Policy in Harding Loevner's Form ADV Part 2, which is available on Harding Loevner's website. To assure the effectiveness of our stewardship activity, we periodically, and no less than annually, review the policy to ensure that it provides appropriate guidance on emerging issues.

Proxy Voting Procedure

As we engage with companies, we believe that the analyst covering that company is best positioned to determine how to vote on proposals. Analysts are encouraged to formally seek feedback from the research team when considering complex or controversial issues. We also employ Glass Lewis to inform our analysts on proxy voting but exercise our own judgment as to whether to accept its advice. We may occasionally engage with Glass Lewis to better understand the reason for a particular recommendation. As noted in Principle 8, in 2022 we also have engaged Glass Lewis in a custom thematic policy for climate-related votes in relation to our Global Paris-Aligned and International Carbon Transition strategies.

In late 2022 and early 2023, the firm revamped the operational process by which our analysts provide voting direction to portfolio operations. The new process allows analysts to easily access our historical voting records for companies and streamline recording of voting information, including vote outcome results. In addition, the revamped process provides access to the firm's voting record alongside vote outcome data for resolution tracking, as well as further engagement, analysis, and reporting.

We record all votes—along with the rationale for deviations from management recommendations—and disclose our votes to the respective asset owners upon request, or as required by law or regulation. We store all records of company engagements and voting decisions in Harding Loevner's centralized research management system, where the information is accessible to our entire firm, including all investment professionals. When we vote against management recommendations, we require the analyst to engage with the company.

We've developed guidelines to outline best practices on specific topics such as director appointments, board structure, executive compensation, capital structure, and ESG matters to assist analysts in thinking about how to vote on our clients' behalf. This helps ensure consistency and to facilitate constructive debate among colleagues.

Meeting Client Goals

Harding Loevner is committed to meeting the stewardship goals of our clients. Separate account clients may direct voting in their accounts by sharing a specific set of proxy vote guidelines, which Harding Loevner will implement in their account. Separate account clients can also override Harding Loevner's vote on a certain agenda item according to their specific preferences.

Securities Lending

Harding Loevner does not engage in securities lending for the pooled vehicles for which it serves as advisor. Securities lending by separate accounts is at the discretion of the account holders and their custodians. When a separate account client has shares that may be out on loan, we will confirm their status before voting and obtain control numbers from custodians to prevent "empty voting." We do not generally ask the clients to recall stock on loan to vote, although we will honor client requests to do so.

Monitoring Voting Rights

Our portfolio operations team monitors voting rights. To ensure that we have cast all votes, we reconcile the record date positions in ProxyEdge against our own portfolio accounting system for each meeting. Additionally, our compliance officer reviews a selection of proxy votes each quarter to ensure that our portfolio operations team has only cast proxies for clients that have delegated to Harding Loevner the authority to do so.

Proxy Voting Governance

Harding Loevner's CIO oversees the firm's voting policy. The firm's general counsel & CCO maintains Harding Loevner's proxy voting policies and procedures and ensures the firm's adherence to them.

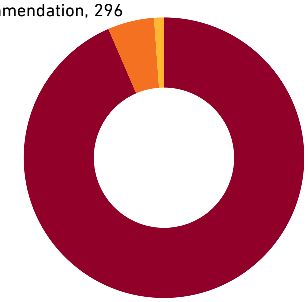
2022 Voting Activity

Harding Loevner's careful research and extensive analysis of a company's governance, management foresight, and business strategy mean that we generally expect to be supportive of boards and often tend to vote with company management.

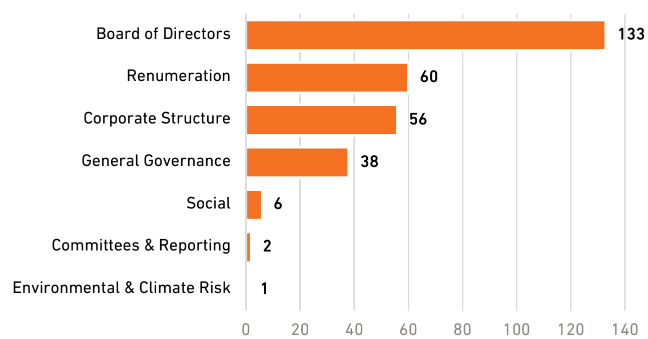
In 2022, Harding Loevner analysts cast more than 5,500 votes across nearly 400 issuers held in our investment strategies. We voted with management on 94% of proposals and against management on 5%. We abstained from voting in 1% of proposals. Our most common reason for abstaining was because we had insufficient information to cast a vote responsibly. In other instances, we disagreed with the management recommendation but wanted to engage with management instead of voting against it. We also abstained for procedural reasons, including cumulative voting structures in which shareholders can choose to either allocate their votes across all candidates for the board of directors when the board has multiple openings, or apply their votes to just one candidate and abstain from voting on the appointment of the remaining candidates.

We voted against management on 296 proposals, most often in connection with director-related ballot items. Our concerns in this area included excessive or opaque compensation terms, insufficient board or committee independence, inadequate qualifications, lack of cognitive or skill diversity, and over-boarding.

Breakout of Proxy Votes in 2022



2022 Votes Against Management by Topic



Assessment of Proxy Voting Effectiveness

Votes Against Management

Of the votes against management that were not successful, meaning that we voted against a proposal that ultimately passed, 97% were corporate governance related. If we vote against management our analyst will almost always write a post-proxy letter to company management to explain our rationale as we feel such communication may serve to benefit both the company and its shareholders. Ten companies responded to our letters, which enabled further dialogue.

In 2022, six of our votes against management were successful, meaning that vote results coincided with our analysts' vote. Five of those votes related to executive compensation and four were at US-based companies: Abiomed, JP Morgan Chase, Netflix, and ServiceNow. In each of those cases, except for JP Morgan, more than 50% of shareholder votes were against these "say-on-pay" proposals.

Two additional successful votes against management recommendations came from one of our Health Care analysts:

- At the annual meeting for US-based IQVIA, our analyst voted in favor of a majority vote requirement in uncontested director elections. We feel such a requirement increases board accountability and aligns with best practice of a majority of the S&P 500. The company subsequently adopted this governance policy; any incumbent director who fails to receive a majority of votes cast in an uncontested election must now tender his or her resignation.
- At French Health Care company Sartorius Stedim Biotech's meeting, our analyst voted against the approval of components of the CEO and deputy CEO's remuneration plans—a result of related-party transactions that we felt were not fully disclosed. Our analyst wrote to the chairman of the board to express that in his view the company lags its peers on disclosure of its executive pay plans.

Shareholder Proposals

Shareholder proposals represented fewer than 3% of total proxy votes in 2022. Two shareholder proposals that we voted for passed:

- At AbbVie, the proposal was regarding an executive termination pay policy which our analyst agreed should require shareholder consultation. After the proposal passed AbbVie responded by engaging with groups of shareholders on the topic and ultimately adopting two changes in October 2022: (1) capping the potential cash lump sum payment at 2.99 times an executive's annual salary and bonus and (2) adding a requirement for shareholder ratification if an exception were made to this cap.
- At Ansys, a proposal requesting that the company declassify its board and institute annual elections for each director, which our analyst believed would protect shareholders against an entrenched board, was supported by 78% of shareholder votes. While the majority support for this shareholder proposal was non-binding, the board decided to phase out its classified structure and phase in a fully declassified board as of their 2026 Annual Meeting. Beginning in 2026, all directors will stand for election for a one-year term at each annual meeting.

A complete record of all proxy voting activity for the Harding, Loevner Funds, Inc. Mutual Funds and the Harding Loevner Funds plc UCITS is available on the Active Ownership page of our website. In 2022, in response to the Shareholder Rights Directive II (SRDII), we published, as part of our Harding Loevner Funds plc Annual Report, a Disclosure of Voting Activity that highlights those votes against management in 2021 that we deemed to be significant.

HARDING
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400 Crossing Blvd, 4th Floor, Bridgewater, NJ 08807
T: (908) 218-7900
F: (908) 218-1915
HardingLoevner.com