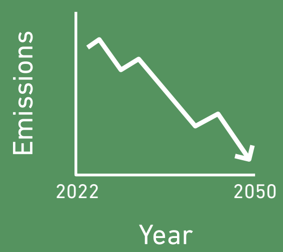
Global Paris-Aligned Equity Strategy

Strategy Methodology

HARDING LOEVNER

The Global Paris-Aligned Equity Strategy invests in high-quality, growing companies worldwide that we believe have a viable pathway to achieve net-zero greenhouse gas emissions by 2050.



Global Equity Portfolio Team

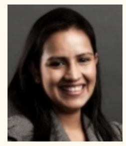
The Global Paris-Aligned Equity strategy is managed by the same team as our Global Equity strategy, led by Jingyi Li and Richard Schmidt, CFA. Maria Lernerman, CFA, adapts the Global Equity model portfolio to meet the objectives of the Global Paris-Aligned Equity strategy.

Jingyi Li
Global Co-Lead PM

Richard Schmidt, CFA
Global Co-Lead PM

Maria Lernerman, CFA
Global Paris-Aligned PM

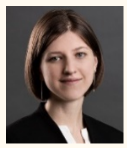
Sean Contant, CFA
Global Paper PM



Moon Surana, CFA
Global Paper PM

ESG Experts

Maria Lernerman, CFA
Analyst



Maryna Arabei, CESGA
Associate

The Global Paris-Aligned Equity strategy combines selective disinvestment with ongoing monitoring of company emissions and proactive engagement.

Global Equity Model Portfolio

The starting point for the Global Paris-Aligned Equity strategy is our flagship Global Equity strategy, which invests in high-quality, growing companies worldwide through a fundamental process that includes the explicit analysis of ESG risks and opportunities.

Exclusionary Screen

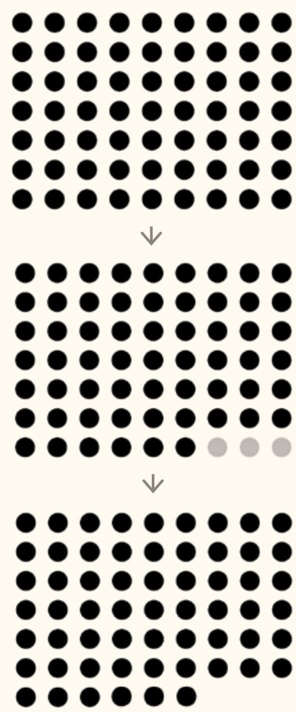
We then exclude any companies with fossil fuel reserves and those that derive 25% or more of revenue from oil-, gas-, or coal-related activities. For our Irish-based UCITS fund, we apply additional social and governance screens.

Alignment Assessment

We assess each holding to ensure a viable pathway to net zero. We pay particularly close attention to those companies operating in high-emission industries, as well as those that have not yet made initial steps toward alignment. We repeat the assessment process annually to track progress over time.

Global Paris-Aligned Model Portfolio

Global Paris-Aligned Equity PM Maria Lernerman, CFA, redistributes the weights from excluded companies, seeking a robust portfolio structure and similar exposures as our Global Equity strategy.



The 2015 Paris Agreement aims to limit the rise of average global temperatures to not more than 2.0—or, preferably, 1.5—degrees Celsius above pre-industrial levels; it is estimated that, to achieve this goal, the world's net global greenhouse gas emissions must be eliminated by 2050. In our alignment assessment, we pay particular attention to "Higher Impact" companies: those either have emissions to sales ratios greater than 100 tCO_2e/$M sales or that operate in one of over 30 higher impact sub-industries as outlined in the IIGCC Net Zero Investment Framework. These companies are more likely to contribute to absolute emissions reductions. In addition to the above restrictions, the Global Paris-Aligned Equity UCITS prohibits investment in: controversial weapons and tobacco manufacturers; companies on the Norges Bank Investment Management (NBIM) exclusionary list; companies that fail to adhere to the UN Global Compact (UNGC), as determined by MSCI ESG; and companies that fail to meet the "good governance" standard set forth by SFDR.

Ongoing Monitoring and Engagement

Once a company is in the portfolio, we track its progress toward net zero over time.

Alignment Assessment

Analysts use a proprietary rubric adapted from the Institutional Investors Group on Climate Change (IIGCC) to evaluate a company's progress. They consider a company's:

Emissions Disclosure
Scope 1&2, Material Scope 3 emissions

Ambition to Achieve Net Zero
Stated goal to reach net zero by 2050 and commitment to set SBTi targets

Decarbonization Strategy
Short-, medium-, long-term reduction plans

Emissions Targets
Validated by SBTi or other credible organization

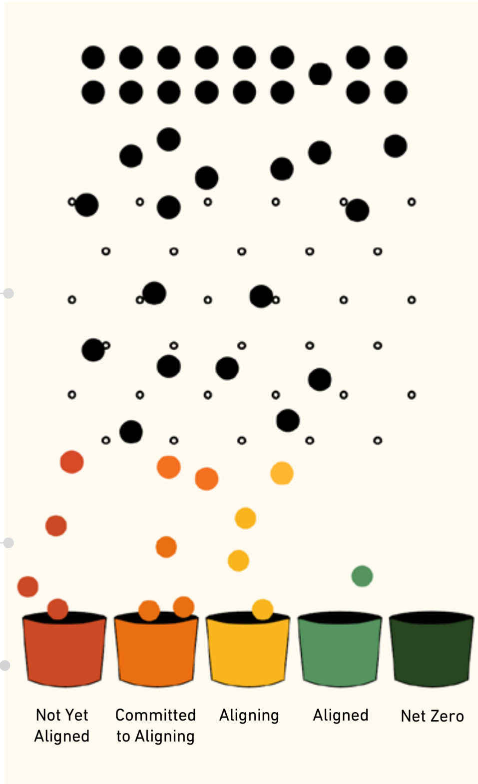
Climate Governance
Board or executive oversight

Performance vs. Targets
Progress toward each reduction target

We subject higher-impact companies to closer scrutiny, as reductions in their emissions may have a greater impact on the portfolio's alignment with the Paris Agreement.

We then classify each company by its alignment toward net zero.

We reassess alignment annually and expect to see progress over time.



Engagement

In our engagements, we encourage companies to:

- Ensure climate-related disclosures or governance are in place
- Establish and follow through on commitment to set decarbonization targets
- Meet decarbonization targets, once established

Proxy Voting

We use our voting power to promote high standards of governance, including the management of climate risks. We:

- Identify climate-related proposals and will vote in favor of those that further the goals of the strategy
- May vote against managements that fail to set meaningful climate-related targets, oversight, or compensation
- Engage after votes against management by our analysts

Sell Discipline

We may sell a holding from the Global Paris-Aligned Equity strategy if we believe there to be a deterioration in the company's competitive positioning, or a low expected return. We may also sell a stock for the following climate-related reasons:

- Our analysts determine that net-zero alignment is no longer viable
- The company fails to progress toward net zero
- The company fails to respond to engagement

"Net Zero" refers to a state in which the greenhouse gas emissions are reduced to the maximum possible extent and residual emissions are balanced by carbon offsets. Harding Loevner's assessment framework is based in part on the IIGCC Net Zero Alignment framework, which is in turn based on the disclosure guidance from the Task Force on Climate-Related Financial Disclosures (TCFD). Climate-related votes are identified using Glass Lewis's Climate Policy. The Global Paris-Aligned Equity strategy is available for investment via separate account and UCITS. The Global Paris-Aligned Equity UCITS is classified as Article 8 under SFDR and seeks to promotes the following environmental characteristics: the reduction of greenhouse gas emissions and climate change mitigation.