Investment Stewardship Activities 2023

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 2023; unless otherwise noted, all the information in this report is current as of December 31, 2023.

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 April 30, 2024.

General inquiries 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 a supportive industry structure, manifested by sustainable returns on capital above the cost of capital.

☑ **Quality Management:**
Management capable of executing strategy for the benefit of shareholders, demonstrated by a track record of success especially in capital allocation.

☑ **Financial Strength:**
A strong balance sheet and cash flow generation to fund long-term growth in all environments.

☑ **Sustainable Growth:**
Growth underpinned by long-term fundamental trends, not ephemeral factors.

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, are 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.

Vision, Mission, and Values

Harding Loevner's culture is reinforced, and its strategy guided, by its Vision, Mission, and Values Statement. The statement defines the firm's direction of travel, the path by which we will get there, and the values that firm leadership believes will enable success.

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:

- **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. In 2023 we conducted over 1,400 meetings and interacted with over 200 companies.

- **Performance expectations:** We are an active manager; clients expect we will produce superior relative returns over the long term. As of December 31, 2023, all our core investment strategies[1] had outperformed their stated benchmarks since their inception, both gross and net of fees.

- **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.

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

Our Vision

To be a highly respected investment manager for institutional and other sophisticated investors worldwide.

Our Mission

We are a trusted partner to our clients. We meet their needs and surpass their expectations by actively managing investment strategies that deliver superior risk-adjusted returns and by providing exceptional client service.

Our Values

At Harding Loevner, we are:

Trustworthy
We always act ethically and with integrity, putting our clients' interests before our own.

Transparent
We value clear, open, and extensive communication with our clients and one another.

Persistent
We know that success for our clients requires relentless hard work.

Intellectually Restless
We constantly strive to improve our understanding of the world—by reading, listening, experimenting, and respectfully debating—with the knowledge that such work is never done.

Thoughtful
We consider our decisions, actions, and processes deeply, to try to mitigate the impact of behavioral and cognitive biases.

Accountable
We require individuals—not committees—to make decisions and hold them solely responsible for the results, which we track, measure, and analyze.

- **Tenure of our clientele:** Among our separate account clients, the average account tenure is over five years; our largest 10 accounts have an average tenure of over twelve years. We have managed over 100 separate accounts 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 US$6 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 enables 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 13 years.

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 AMG (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 December 2023, Harding Loevner had 38 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, vice chairman, chief executive officer, chief investment officer, chief administrative officer, and director of research. Each member of the committee has explicit oversight of specific stewardship-related initiatives, with David Loevner, CFA, our Chairman; Aaron Bellish, our CEO; and Ferrill Roll, CFA, our CIO, determining our overall stewardship strategy.

Profile: Key Employees with Stewardship Responsibilities

Executive Committee

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

David Loevner, CFA, CIC ***Chairman***
45 years experience

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

Governs stewardship activity

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

Yoko Sakai, CFA *Director of Research*
34 years of experience
Oversees stewardship in investment process

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

ESG Working Group

Advises Executive Committee and manages ESG governance, strategic project execution, and stewardship reporting

Research & Portfolio Management
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*
Lisa Price *Counsel*
Proxy Voting Policy and stewardship procedures

Investment Communications
Ray Vars, CFA *Director, Investment Communications*
Hannah Hastings, CFA *Portfolio Specialist*
Grant Alger, CFA *Manager, Product Information*
Client communication

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

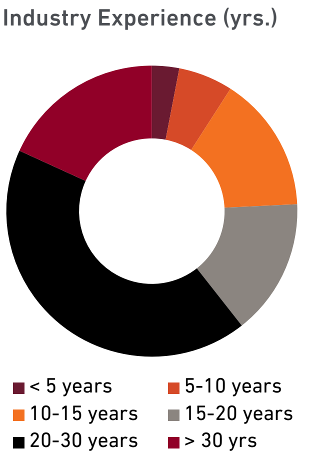
Adherence to our prescribed research process is enforced by our director of research and one of our co-deputy directors of research. The firm's CIO oversees the overall investment process, including the integration of ESG factors in securities research.

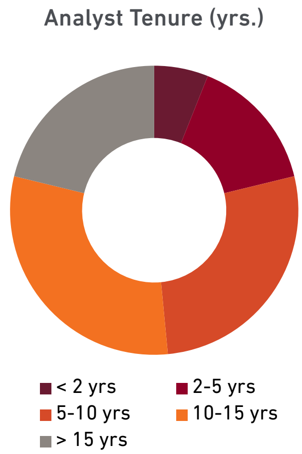
Investment Team

Each of our analysts is individually accountable for both the research and stewardship responsibilities associated with each company under coverage, including proxy voting and engagement. Our analysts' ESG assessments are supported by external 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 also developed internal 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.

Profile: Analyst and PM Team





33
Analysts

25
CFA Charterholders

25
Advanced Degrees

100%
of Analysts have ESG Responsibilities

100%
of PMs have Analyst Responsibilities

Subject Matter Experts and ESG Working Group

Frontline analysts on the investment team are supported by our ESG analyst and ESG associate, who assist their colleagues by sharing their deep domain knowledge about climate and other sustainability related issues. These experts also develop analytical tools and checklists, described in further detail in Principle 7, that aid in uncovering and evaluating ESG-related risks and opportunities during the research process.

The ESG Working Group, led by our ESG strategist, is responsible for internal governance and strategic execution of ESG initiatives, including stewardship and external industry collaborations, and is accountable to the Executive Committee. To achieve its objectives, the Working Group facilitates product and content development, identifies opportunities to improve internal ESG tools or resources, sources best practices from external industry groups and initiatives, and stays current with evolving regulatory and reporting requirements.

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; and advancement of the firm's diversity, equity, and inclusion (DEI) goals.

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 and periodic training to enhance our ESG assessment capabilities, including educational sessions dedicated to ESG topics. Our ESG analyst and associate have supported our research analysts through training on topics such as the Task Force on Climate-related Financial Disclosures (TCFD) framework for governance, strategy, risk management, and metrics and targets relating to emissions reduction and for application during our analysts' assessments of company net-zero commitments and transition plans, discussed further in Principle 7.

Technology to Support Stewardship

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 capabilities. We are investing capital toward the centralization of stewardship-related data and to improve technological resources underpinning our stewardship activities.

In 2023, our ESG associate continued to lead improvements to internal tracking of ESG-related engagements. Additionally, we identified a data management solutions provider to assist in the aggregation of data and refinement of existing workflows. It will first be used in managing and monitoring our research team's company net-zero climate transition plan analyses.

ESG-related Informational 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, 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.

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 Morningstar Sustainability Ratings.

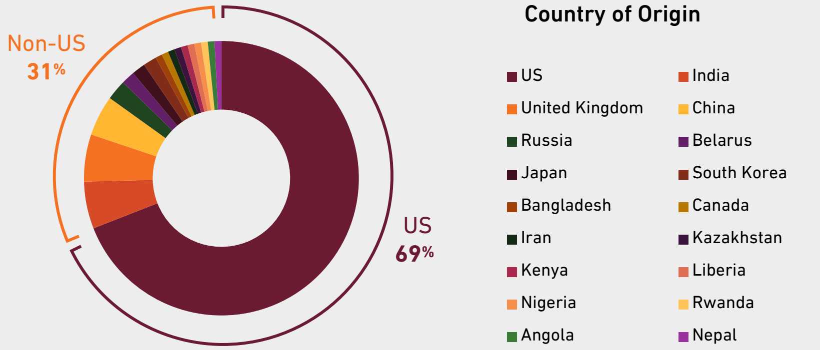
Diversity, Equity, and Inclusion

We believe that our pursuit of DEI will strengthen our ability to serve our clients effectively. We foster diverse perspectives to help mitigate cognitive biases, which leads to superior decision-making and investment outcomes. Because having a wide array of personal and professional backgrounds helps fulfill our desire for differing perspectives on companies, industries, and economic trends, we think about diversity beyond race and gender. Even as a small firm situated in central New Jersey, nearly 50 miles from New York City, we have been able to attract employees from all over the world, with 18 countries of origin and 29 languages represented among our staff. When including men of non-US origin, more than half of our investment team is diverse. The same is true of our limited partners.

While the company has achieved significant diversity, we continue to explore ways cultivate an inclusive environment for members of groups that have been underrepresented in investment management, including female and/or non-white individuals and measure our success in achieving this objective.

Profile: Diversity at Harding Loevner

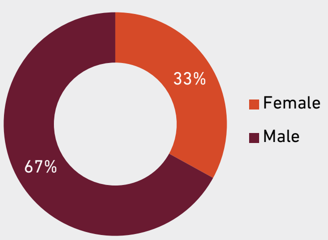
Country of Origin



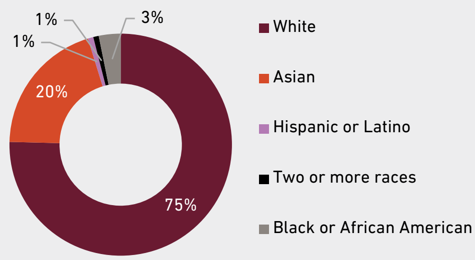
48% of employees proficient in at least two languages

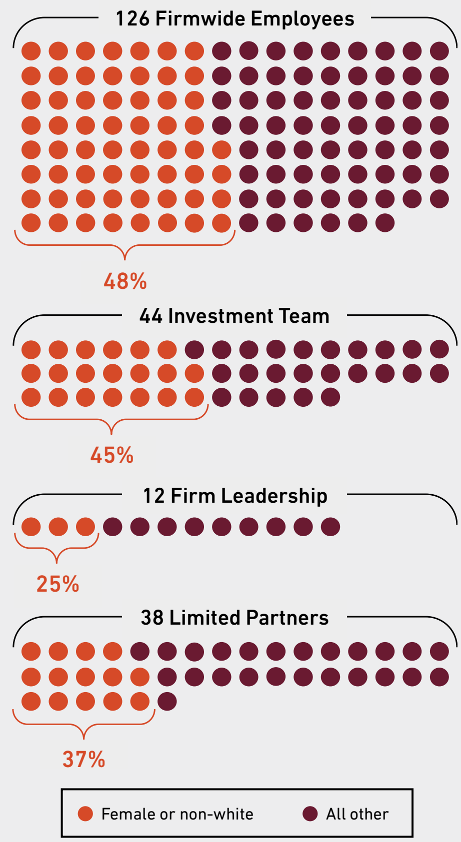
32% of employees with experience working in more than one country

Gender



Race/Ethnicity





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 2023, ongoing firm initiatives included:

- Documenting metrics, to set a basis against which the DEI Committee can 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 the 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, in harmonization with Harding Loevner's requirement of a diverse candidate pool for every open position.
- Conducting an annual review of pay equity.
- Enhancing the formal mentorship program for all junior employees to develop talent and foster an inclusive work environment.

Additional developments during 2023 included:

- Hiring 20 new employees, 13 of whom were female or non-white. A third of the employees we promoted during the year also fit this description.
- Launching the Harding Loevner Women's Network, which aims to strengthen connections and provide mentorship for female staff members through programming and events.
- Publishing our inaugural DEI Annual Report, which provides an overview of Harding Loevner's DEI metrics, the Committee's core initiatives, progress over the prior year, and priorities looking forward.

We remain signatories of the CFA Institute's Diversity, Equity, and Inclusion Code (US and Canada), which 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.

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 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.
- 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.
- 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 April 2023, 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 exercise discretion.

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 December 2023.

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 is 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, and general counsel & CCO.

Our legal and compliance team conducts annual compliance reviews to assess the effectiveness of our firmwide compliance 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 2023 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 process for escalating potential conflicts of interest to the general counsel & CCO or his designee. 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 (OMS) 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. The purpose of the risk review is to examine 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. We have 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 Enterprise Risk Management Program (ERMP) facilitates the ongoing identification and assessment of risks and mitigators of those risks. Its key components are the Enterprise Risk Management Framework, Enterprise Risk Management Committee (ERMC), and Committee delegates. It also encapsulates Harding Loevner's Vendor Management Program.

The members of the ERMC are:

- Aaron Bellish, *CEO*
- Brian Simon, *General Counsel & CCO*
- Lisa Togneri, *CFO*
- Jared Tramutola, CFA, *COO*
- Richard Costello, *Head of Information Technology*
- Tim Kubarych, CFA, *Co-Deputy Director of Research*

The ERMC completes an annual review of the risk management framework in conjunction with the appropriate committees and department representatives. The goal of the annual review is to revisit the identification of risks, the ownership of the different risks, and the effectiveness and potential enhancements to mitigators of these risks.

Harding Loevner's general 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. Our compliance team reviews all compliance policies and procedures annually to ensure the firm is fully compliant with the US Investment Advisers Act of 1940. We use a formal enterprise risk framework to evaluate risks in six categories: investment, operational, legal and compliance, counterparty, financial, and strategic.

Identifying Market-Wide and Systemic 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 geopolitical (including armed conflict, de-globalization, and supply chain risks) or environmental risks (including climate change).

Responding to Market-Wide Risks

On the following page, we detail several market-wide risks that affected our investee companies and our investments in those businesses on behalf of our clients in 2023.

Interest Rates

In 2023, interest rates reached their highest levels for more than two decades, as central banks around the world tightened monetary policies to fight inflation.

Our focus on investing in companies with above-average growth prospects means the stock prices of our holdings, regardless of industry, can be relatively vulnerable to rising rates. Inflation and higher interest rates influence discount rates and thus have an immediate impact on stock valuations, especially for fast-growing companies for whom the majority of expected cash flows lie further out into the future. Shares of companies that exhibit both quality characteristics and durable-growth prospects also tend to be more expensive, which makes them further vulnerable to rising discount rates. Meanwhile, as long-term interest rates rise, so does the hurdle rate for discretionary growth investment, and lower levels of investment will tend to moderate long-term fundamental growth expectations for companies (and more broadly the economy). These effects of higher interest rates caused significant headwinds for our investment approach in 2023.

Banks in the US and Europe struggled with the effects of rising interest rates. Banks and other financial services companies are potential beneficiaries of higher interest rates, which provide these companies opportunities to earn wider net interest margins. But the rapid increase in interest rates at the end of 2022 into 2023 led to a combination of depositors seeking better yields as well as large unrealized losses in some banks' security portfolios. In the most extreme cases, there were runs on several banks, which collapsed completely.

In a scenario of continued high inflation and sharply rising interest rates, shares of quality-growth companies might be expected to lag the market; but, should economic growth revert to a more tepid pace, we would expect to see a reversal of their underperformance as the market embraces companies growing their earnings faster than average. In the face of this uncertainty, we do what we have done for the last three decades: construct a diversified portfolio of high-quality growth companies by taking advantage of the most attractive valuations as they emerge.

In our investment process, we follow a consistent valuation process across all sectors and industries, including starting with the same long-term global discount rate of 6% for all companies. This rate is based upon the market-derived long-term mean global discount rate (prior to inflation). We start our valuation analysis with this consistent mean rate because, as long-term investors, we aim to look beyond any current market and interest rate volatility to value companies based on their long-term performance. We may adjust the discount rate based on country-level risk. To assess comparative country risk, we use third-party measures of political stability, rule of law, corruption, and openness of markets as well as sovereign credit ratings from ratings agencies. The country data is updated semiannually to reflect any change in third-party measures.

Geopolitical Conflict

Russia-Ukraine War

In last year's response to the UK Stewardship Code, we outlined the actions that we had taken in response to Russia's invasion of Ukraine, and the economic sanctions of Russian companies that followed. Foremost among those actions was marking the value of those Russian assets that we held to effectively zero, given the restrictions placed on our ability to trade in those companies.

In 2023, as the conflict continued, we worked to recover value for our clients. We were able to sell some of our Russian holdings in off-exchange transactions. We completed these transactions given the ongoing and significant uncertainty facing some of these companies and the continued obstacles to transacting in their shares.

We continue to be open to receiving offers for shares and will consider selling them in off-exchange transactions. We consider such opportunities by evaluating the price offered for the shares versus our estimate of fair value discounted based on the probability of achieving that value—a probability that is difficult to accurately determine given the risks and fluidity of the situation.

As the market and regulatory situation concerning Russian stocks has continued to change and develop, we've communicated closely with our clients to understand their perspectives on the issues involved and to allow them to understand the efforts that we continue to undertake to recoup as much value as possible from these assets. For instance, in addition to these off-exchange transactions, we have preserved our custody of those assets that we do own, including converting ADR or GDR shares to local shares as required by Russian authorities.

Israel-Hamas War

The events that began in the Middle East in 2023 have been tragic. 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 enforcing portfolio-level risk guidelines to ensure diversification and to limit our exposure to acute shocks in a particular geography or sector. Generally, we are averse to knee-jerk reactions to geopolitical or market-wide events, a habit developed across many such shocks since the founding of our firm in 1989.

We believe that owning a diversified portfolio of high-quality, growth companies across a variety of industries and regions helps us contend with the risks of terrible events occurring in different parts of the world that may affect our holdings. While we do not seek to predict the outcome of conflicts such as the current situation in the Middle East, we remain aware of the potential risks. Escalation and the involvement of other regional powers could further disrupt the security and economies of the Middle East and create second-order effects such as inflationary pressure.

At the outbreak of the conflict in Israel and Gaza in October 2023, we evaluated the direct and indirect exposure of our portfolios to potential negative effects of the hostilities. We had limited direct exposure, with only one holding in Israel. But we also monitored the exposure of some of our covered technology companies, as Israel is a major innovations hub with highly talented engineers, top-notch research infrastructure, and a robust start-up/venture capital ecosystem. Many technology companies have direct connections to Israel through R&D, supply chains, or as an end market. We found that there was little immediate disruption of these companies' activities in Israel. We continue to keep a close watch on all potential effects, both direct and indirect.

We also monitored the effects of the conflict on oil prices, as well as on our other holdings in the region. As of the date of this writing, the conflict has not spilled into a larger regional issue, but we continue to watch the situation carefully and remain vigilant to the effects of the geopolitical risks in the Middle East on all our businesses.

Climate Risk

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 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 2023 TCFD report, we reported 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 included climate change and energy transition.

Assessing Effectiveness and Promoting Well-Functioning Markets

One of the best ways in which we can contribute to well-functioning markets is by staying true to our decision-making discipline, both in avoiding behavioral biases or reactionary decision-making, and by maintaining diversified portfolios. We believe that staying true to this discipline, 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.

To ensure adherence, 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.

As a result of our quality-growth investment approach, our investment strategies generally exhibit low to moderate benchmark-relative risk, as indicated by their low tracking error. Through properly assessed risks and scenario analysis, we can understand the implications of a range of market outcomes for the businesses we own and effectively communicate those expectations of an inherently uncertain future to our clients such that they are able to make informed allocation decisions about their investments with us.

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. We endeavor to both learn and share best practices that will support our stewardship efforts and decision-making, while also providing transparent and thoughtful disclosure to our clients so that they may make informed decisions as asset owners in allocating their risk capital.

Other industry initiatives in which we participated during 2023 included:

- **Active Managers Council (AMC), separately branded affiliate organization within the Investment Adviser Association (IAA):** Harding Loevner is a founding member and a member of its Steering Committee. The AMC's role is to advocate for a more balanced narrative between active and passive management and to educate investors through curated research and events. During 2023, one of our Portfolio Specialists and a member of the AMC's Research Task Force was featured in a video series titled "Yes, Active Managers Can Outperform," which described how active managers can and do outperform the benchmark, the importance of active management in a portfolio, and how skilled managers can be identified in advance.

- **Investment Company Institute (ICI):** As a member of the ICI, we participated in the Global SFDR Working Group in 2023 and our CFO serves on the Tax Committee. ICI is the leading association representing regulated investment funds whose mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor.

- **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. PRI is the world's leading proponent of responsible investing and acts in the long-term interests of its signatories, of the financial markets and economies in which they operate, and ultimately of the environment and society. A public version of our most recent Transparency Report is available on the PRI website.

- **CFA Institute:** As of December 2023, 31% of Harding Loevner employees were CFA charterholders. CFA's mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. During 2023, we participated in educational events hosted by CFA societies in Dallas, Los Angeles, Seattle, Miami, Kansas City, Charlotte, and New York, which included investor forums, economic forecasts, and discussions on topics such as artificial intelligence, geopolitical tensions, and ESG. In July, a member of our Institutional Business Development team was appointed to the Board of Directors of the CFA Society of Washington, DC and our ESG strategist continued to participate in the CFA Society of New York's Sustainable Investing Group.

- **Task Force for Climate-Related Financial Disclosures (TCFD):** We issued our second annual TCFD report in 2023. This framework was developed by the Financial Stability Board (FSB) and is now under the oversight of the IFRS Foundation. Its objective is to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

- **CDP:** CDP is a not-for-profit that maintains the largest standardized climate, water, and biodiversity disclosure portal for investors, companies, states, and regions. The organization also advocates for better climate and natural resource-related environmental disclosure. In 2023, Harding Loevner became an investor signatory to CDP and gained access to its database of reports, data (including greenhouse gas (GHG) emissions and targets), and other tools. As noted in Principle 10, in 2023 we also led engagements as part of the CDP Non-Disclosure Campaign with several of our investee companies.

Behavioral Lessons: The Alliance for Decision Education

The act of making investment decisions, establishing feedback loops to assess the effectiveness of those decisions, and improving those processes over time are fundamental to both well-functioning investment businesses and well-functioning markets. Our Vice Chairman, Simon Hallett, joined the Board of The Alliance for Decision Education in 2023. As one of the original architects of Harding Loevner's investment philosophy, which emphasizes behavioral introspection, Simon believes in the power of decision sciences and their application for fundamental investment managers. Our Co-Deputy Director of Research, Tim Kubarych, CFA, has also presented to the Alliance to share how Harding Loevner has institutionalized its investment decision-making process. Annie Duke, co-founder of The Alliance for Decision Education, will be a speaker at the Harding Loevner Investor Forum in 2024.

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 and Assurance of Policies

Internal Assurance of Compliance Policies and Procedures

In 2023, we conducted an annual review of the adequacy of the firm's compliance policies and procedures. As required by the SEC, this regular review was an important way to assess the implementation of these policies and identify areas for potential improvement. The review included testing of the firm's policies and procedures, including those related to stewardship, Proxy Voting, Client-Directed Brokerage Arrangements, Best Execution, and Code of Ethics.

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.

Stewardship-Specific Internal Assurances and Annual Review of Procedures

Our compliance officer led an annual review of all internal compliance policies and procedures.

Our co-deputy director of research, in coordination with our ESG associate, performed a semi-annual review of our research team's proxy voting activities. This internal review broke down each six-month segment of voting activity across strategies and topics, along with Harding Loevner's voting decisions for transparency. It also provided an accountability mechanism whereby our research associates support our analysts' written correspondence with company managements who we may have voted against on proposals during the year.

In 2023, we wrote 145 letters to companies to communicate our rationale for voting against management, abstaining from a vote, or to engage on a particular issue. Our proxy voting activity is described in more detail in Principle 12, but we have found that our internal review has been effective in reinforcing best practices and sharing engagement activity across our investment team so that analysts may learn from each other's interactions with companies while maintaining their own independence in voting decisions, consistent with our "collaboration without consensus" investment culture.

Cybersecurity

Harding Loevner has a robust internal control environment in respect to 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 enlist a rotation of third-party providers to perform annual penetration tests. Our infrastructure is backed up on a nightly basis and stored offsite in immutable storage to protect from ransomware. We have implemented remote real-time mirroring or cloud-based implementation of all critical operational systems. We also conduct disaster recovery tests twice annually to ensure our business can continue to operate in the event our primary site is unavailable. During one of these annual tests, the entire firm operates out of the disaster recovery environment for up to one week.

Harding Loevner requires all employees to complete quarterly education on cybersecurity issues. The Information Technology (IT) department regularly alerts employees to new security threats and to the latest schemes to use social engineering and malicious code to gain system access. In addition, the IT team conducts occasional phishing awareness and social engineering testing of employees.

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. There were no exceptions noted in the report for the period ending September 30, 2023. A copy of this report is available upon request.

For the Harding Loevner Funds plc (HL UCITS), Waystone serves as the third-party management company. In this capacity, Waystone 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 GHG emissions reported by Harding Loevner LP for its business-related operational footprint and offset purchasing program.

Fair, Balanced, and Understandable Stewardship Reporting

The information in this response to the UK Stewardship Code was reviewed by Harding Loevner's CEO, CIO, 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. This report was constructed using the Financial Reporting Council's guidance and reporting manual as well as the FRC's guidance and updates. We have also incorporated direct feedback that we received from the FRC on our previous reporting.

Principle 6

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

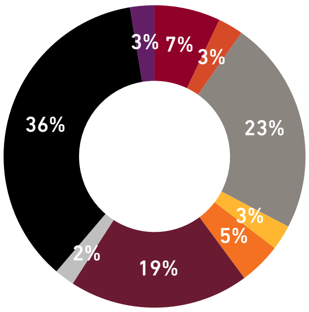
Harding Loevner Client Base

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, 2023, Harding Loevner had US$52.4 billion in total assets under management.

Harding Loevner AUM by Client Type and Domicile

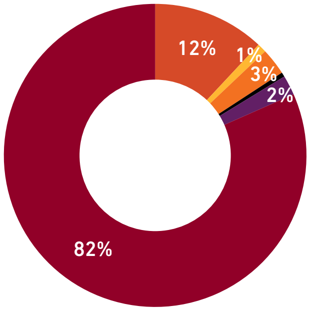
As of December 31, 2023

AUM by Client Type



- Corporate
- Endowment/Foundation
- High Net Worth
- Insurance
- Pooled Funds
- Public
- Sovereigns
- Unclassified Fund Investors
- Union/Multiemployer Plans

AUM by Client Domicile



- Asia Pacific
- Canada
- Europe
- Latin America and Caribbean
- Middle East and Africa
- US

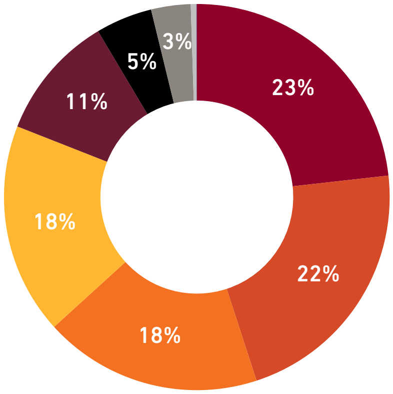
Harding Loevner AUM by Strategy

As of December 31, 2023

Strategy	AUM (US$)	% of Firm Assets
Global Equity	$13.3B	25%
International (non-US) Equity	$34.5B	66%
Emerging Markets Equity	$3.8B	7%
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%
Total	**$52.4B**	**100%**

Harding Loevner AUM by Investment Geography

As of December 31, 2023



- Emerging Markets
- US
- EMU
- Europe ex EMU
- Japan
- Pacific ex Japan
- Canada
- Frontier Markets
- Middle East

Taking Account of Client Needs

Harding Loevner has a diverse, global client base that includes institutions and individuals with a variety of beliefs and investment goals. For more than 30 years, we have offered our clients the ability to have a tailored approach to meet their specific goals. In recognition of the varying perspectives of our client base, we intentionally do not promote a particular world view or set of values in the management of our portfolios. We incorporate consideration of ESG factors in our process because doing so helps us to assess potential business risks and prospective investment returns, consistent with our fiduciary obligations, but we do not use values-based negative screening in our core investment process.

Instead, wherever possible, we support our clients in pursuing their specific investment goals, which for many includes implementing bespoke ESG-related solutions. These mandates may incorporate exclusions of certain types of companies from their portfolios or proxy voting and engagement policies designed to advance specific values important to the client.

1989 (founding)
Integrated sustainability into investment process

1994
First portfolios with Human Rights and 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 and International Carbon Transition Equity strategy launched

2023
Standardized strategy reports created including ESG ratings, carbon metrics, proxy voting and engagement examples

Tailored Solutions for Custom ESG-Related Mandates

Values and Norms-Based Screening
Client-directed exclusions based on religious values or norms-based screening, 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

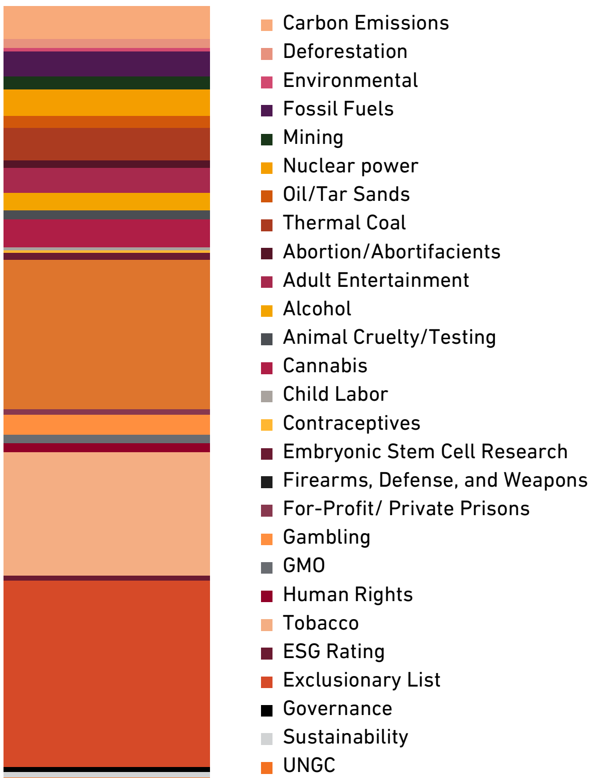
Environmental Targeting
Manage portfolio according to environmental targets, including those related to carbon emissions

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 2023, we had more than 70 accounts that operate with custom mandates as requested by our clients, whose assets totaled US$6 billion. 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.

AUM of Accounts $6B



AUM as of December 31, 2023. 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.

Catholic Values Alignment

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 and to conduct ESG-focused engagements on specific issues selected by the client. We have also applied customized Catholic proxy voting policies through Glass Lewis to better align stewardship activity with clients' investment guidelines. As of December 2023, we had 43 separate account clients with restrictions or exclusionary lists that aim to align with Catholic values. The total assets under management across these accounts was approximately US$400 million.

Harding Loevner manages restrictions in accordance United States Conference of Catholic Bishops (USCCB) on both a discretionary and non-discretionary basis, such as through the application of an exclusionary list, dependent on client preference. When discretion is provided, we apply MSCI ESG business involvement screens corresponding to investors' desired restrictions within our OMS. Any portfolio companies flagged by the screens undergo a rigorous verification process with its covering research analyst to ensure its accuracy. Research analysts further review their covered companies, at least annually, against the business involvement category to ensure MSCI's records do not contain any errors of omission. Any inconsistencies are escalated to MSCI ESG, or the portfolio company in question, for investigation.

This due diligence exercise often yields productive engagements with company managements to better understand business exposures. For example, 2023 reviews resulted in a dialogue with Japan-based personal care products manufacturer Shiseido to clarify its usage of stem cells in its research; Harding Loevner identified an inconsistency between MSCI ESG's flag and our understanding of the company's use of an immortalized cell line in its research. Following the engagement, Harding Loevner decided to withhold investment on behalf of Catholic values-aligned separate account clients given Shiseido's somewhat ambiguous interpretation of how the cells were originally derived.

Seeking Client Views

Our client service teams, totaling 29 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 2023, we conducted more than 600 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.

Continually Improving Client Engagement

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 2023, based on our experience with client-specific requests, we created an ESG supplement publication which will be produced semi-annually and highlights metrics such as ESG ratings, portfolio emissions profile, proxy voting and engagement activity. This will complement our annual UK Stewardship Code and PRI reporting by supplying clients with strategy specific updates intra-year on our stewardship-related activities.

Also in 2023, one of our portfolio specialists, who is also a member of our ESG Working Group, led the development and deployment of a new Active Ownership portion of our website to feature timely reporting of our three-pronged approach to engagements: research-related, proxy-related, and structured. The site includes graphics illustrating the global reach of our engagements and a summary of our proxy voting activity in the prior year.

To deepen our information sharing with existing clients, in May 2024 we will host an Investor Forum in New York City. Some of the topics that will be covered include themes and opportunities in quality growth investing, perspectives on China, energy transition, and other industry and behavioral finance topics relevant to long-term global investment in high-quality, growing businesses.

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

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

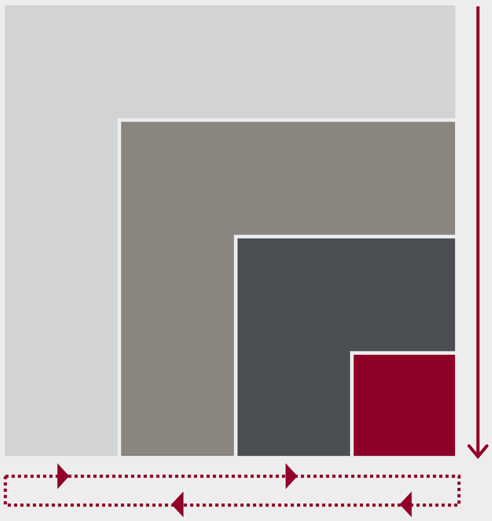
2021
Appointed ESG associate
Introduced ESG Dashboards

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

2023
Implemented analytical framework for company progress on GHG emissions reduction and net-zero commitments

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 and 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, as opposed to a separate analyst or specialist, has the deepest understanding of the company and its industry and is best equipped to discern and evaluate possible ESG risks and opportunities. 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 for which climate-related votes are decided by our portfolio manager of Global Paris-Aligned Equity and International Carbon Transition Equity).

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 responsible for incorporating ESG factors into their assessment of a company's risk-adjusted return.

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, GHG emissions, and waste management. In the Financials sector, key factors include lending practices, transparency, and the environmental risk to mortgaged properties.

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 designed to help eliminate companies with demonstrably poor governance from consideration. The checklist covers moderate-to-severe governance issues, such as management nepotism, criminal history, 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 environmental and social risks that could threaten sustainable growth and returns. The checklist is intended to call analyst attention to areas that may require closer analysis and to make analyst's assessment of those risks transparent to portfolio managers and other colleagues. 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.

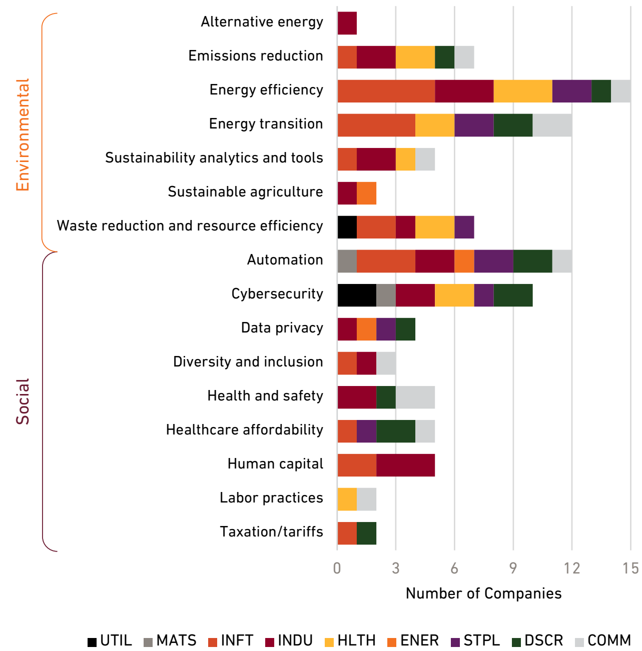
The Scorecard provides a consistent framework for comparing companies' ESG risks and opportunities across all industries and geographies. It also ensures that analysts systematically evaluate key areas of risk for all companies under coverage and fosters transparency in how analysts assess the potential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

Net-Zero Alignment Assessments

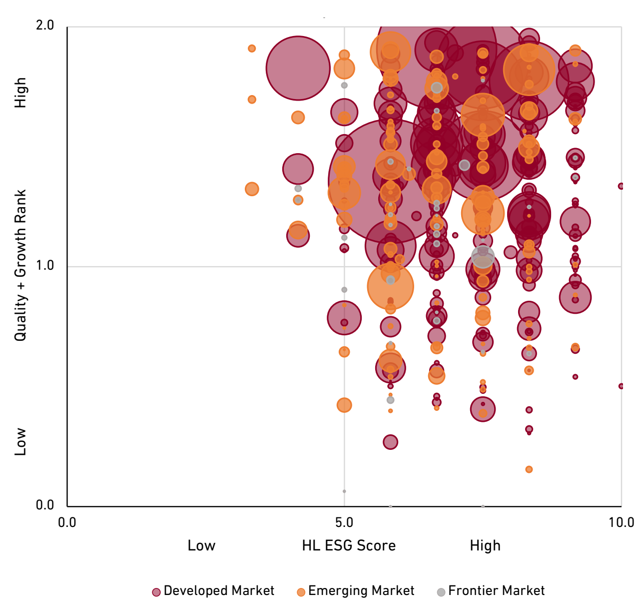
With the launch of our two climate-related strategies in 2022, Global Paris-Aligned Equity and International Carbon Transition Equity, we adapted the Net Zero Investment Framework from the Institutional Investor Group on Climate Change (IIGCC) to begin conducting net-zero alignment assessments of companies, which offer further visibility into companies' climate-risk awareness and efforts to mitigate energy transition risks.

Portfolio Holdings that Benefit from ESG Tailwinds



HL Analyst Quality-Growth Score vs. ESG Score

Researched & Rated Companies



Source: HOLT, Harding Loevner. Data as of December 31, 2023. 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.

In 2023, our analysts extended these net-zero assessments and engagements with companies on their energy transition plans beyond the holdings in our climate-related strategies to more than 100 companies. As part of these assessments, our analysts consider each company's ambition, emission targets and performance against these targets, quality of disclosure, strength of the transition strategy, and climate governance. Analysts also consider whether a company has disclosed in accordance with TCFD, has Science Based Targets (SBTi) targets, and whether it is a higher-impact company as measured by emissions-to-sales ratios greater than 100 tons of carbon dioxide equivalent per $1 million sales or that operate in one of over 30 higher-impact sub-industries identified by the Transition Pathway Initiative. Companies are then classified by degree of alignment in one of these categories: Not Yet Aligned, Committed to Aligning, Aligning, Aligned, or Net Zero. Data sources supporting these assessments include MSCI ESG, CDP, SBTi, and company disclosures.

Integration Outcome: 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.

Across our portfolios, over 90 companies demonstrated significant revenue generation from activities that have been identified by our analysts as ESG-related growth tailwinds. Among environmental themes, we had the most exposure to companies with products or services related to energy efficiency and energy transition, particularly in the Information Technology and Industrials sectors. Among social themes, automation and cybersecurity were most prevalent.

Portfolio Decisions Based on Material ESG Opportunities

In 2023, our understanding of companies' ESG-related risks and opportunities contributed to several portfolio decisions. Below we highlight two new investments made in our Emerging Markets Equity strategy in companies whose growth is enabled by electric vehicles (EVs) and alternative energy.

- StarPower is a Chinese designer and manufacturer of specialized transistors called insulated-gate bipolar transistors (IGBTs). Just as the heart pumps blood throughout the body, IGBTs help distribute the correct forms of electricity through industrial equipment and power grids. StarPower is using this expertise to make IGBTs for solar power stations and EVs, which together account for nearly two-thirds of its sales. The company has become a leading supplier to Chinese EV manufacturers by offering a combination of low cost and the ability to rapidly engineer products to meet the technical requirements of new car models.

- Taiwan's Delta Electronics is the world's largest manufacturer of power supplies for powering different types of computers and industrial systems. The company enjoys as high as 70% global market share for its key products used in data center servers, which require higher voltages. Now, with the growing demand for EVs, Delta is applying similar technology to power components used in cars and charging stations. Safety, reliability, and efficiency are critically important for such high-voltage scenarios, and Delta's expertise and reputation for quality products provide a competitive advantage. Delta's devices also help EVs get better mileage from each charge, a key goal of EV manufacturers, by reducing the power lost during the conversion process.

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 Enterprise Risk Management Committee (ERMC), outlined in Principle 4, is responsible for approving and overseeing the overall vendor due diligence and monitoring process. 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 (DDQs) 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 ERMC 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 an 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 and 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 its risk-based categorization. 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.

If a vendor issue arises and cannot be resolved in a timely manner, our ERMC 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 ERMC 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 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 and serves as a source of vote outcome data.
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 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 monitoring practices outlined above. In 2023, our operations team worked closely with Broadridge to provide enhanced proposal categorization and vote outcome data.

Principle 9

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

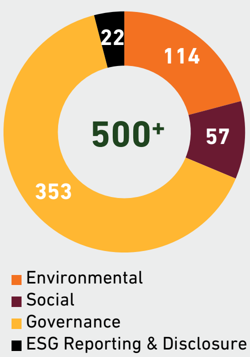
We regularly engage with company managements to discuss the potential effects of a variety of risks and opportunities for growth as industry dynamics inevitably evolve. Through our active engagement and strategic proxy voting, we seek to promote high standards of corporate behavior and to encourage companies 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.

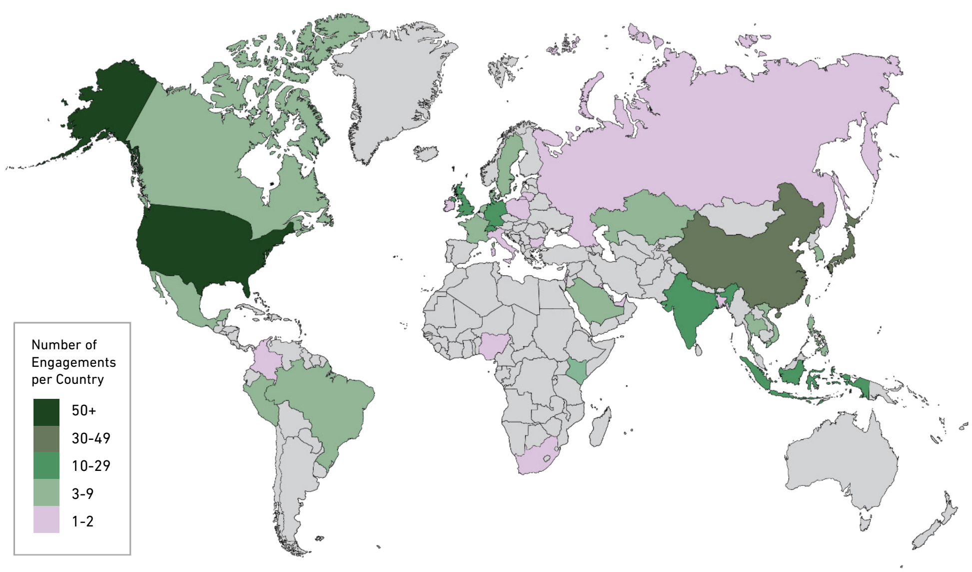
Our long-term approach also aids our engagement efforts and effectiveness. We find that company managements tend to be more receptive to engagement by long-term investors. Moreover, successful engagement can take time and our holding period allows us to pursue continued dialogue. In some cases, our long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

ESG Engagements in 2023

We conducted **1,400+** meetings and engaged with **200+** companies

Number of Engagements





2023 Topics of Engagement, Sorted by Frequency

Environmental

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

Social

- Geopolitical Risk
- Social Regulations
- Human Capital Management and DEI
- Anti-Trust
- Human Rights
- Data and Cyber Security
- Management Succession Planning
- Employee Health, Safety, and Well-being
- Political Contribution and Lobbying
- Employee Health, Safety and Well-being
- Customer Relationship

Governance

- Board Independence
- Remuneration
- Share Issuance
- Board Effectiveness and Diversity
- Director Election
- Corporate Governance and Management
- Unfettered Discretion
- Articles of Association
- Auditor
- Executive Report Approval
- Minority Shareholder Rights
- Disclosure
- Financial and Liability Approvals
- Bylaws

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

Harding Loevner engages with companies in several ways. When we engage, we do so consistently across all strategies, geographies, and sectors:

- **During fundamental analysis:** We meet with management teams to further our understanding of businesses and the industries in which they operate. 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 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 on the following pages. Typically, about two-thirds of our engagements are conducted in writing via email or letters while one-third are 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.

Of the over 500 engagements we recorded in 2023, the majority were instances of written outreach, primarily on governance matters, and triggered by our practice of corresponding with company management whenever we place a proxy vote against management (as detailed in Principle 12). Notably, outside of this process, our analysts also engaged proactively with companies on over 200 matters to either solicit more information, encourage a specific action, or to provide feedback on an ESG-related concern or topic. We are continuing to enhance our ability to systematically track and report progress and outcomes resulting from these ongoing dialogues. Through the enhancements, we will be able to report engagements by subject matter and medium in future years.

Illustrative 2023 Individual Company Engagements

Environmental

Product-specific Climate Engagements
During 2023, we continued engagements on behalf of the Global Paris-Aligned and International Carbon Transition strategies. Of the 93 holdings in these strategies at year-end, we initiated engagement with two-thirds of them, sharing written recommendations on one or more topics. In accordance with our net-zero assessments, we engaged companies on a range of topics from science-based target setting to GHG emissions disclosure, strategy, and net-zero ambition. Of the 79 companies contiguously held during 2022 and 2023, 18 companies improved their net-zero alignment status, while four were downgraded. In 2024, we will begin escalating our engagements with companies whose progress, relative to their climate commitments, may need improvement.

Manulife
Country: Canada
Sector: Financials
Industry: Insurance

In January 2023, we conducted a fact-finding call with Canada-based insurance provider Manulife Financial on behalf of our climate-related International Carbon Transition Equity strategy.

The purpose of the call was threefold: to request that the company establish GHG emissions reduction targets; to understand the company's decarbonization strategy; and to understand the company's compensation incentives for decarbonization.

- **GHG Emissions Reduction Targets:** The company is now working with SBTi to establish net-zero target-setting progress and offered to set up a call with its sustainability officer for an update.

- **Decarbonization Strategy:** The company is looking to reduce fossil fuel exposure in its portfolios over time, through engagement with management teams and/or sales of positions. Additionally, CEO Roy Gori recently announced a joint venture to study carbon sequestration.

- **Compensation Incentives for Decarbonization:** The company explained that members of senior management each have specific ESG-related goals that are included in the annual incentive compensation program. These strategic projects account for approximately 20% of incentive compensation.

Epiroc
Country: Sweden
Sector: Industrials
Industry: Machinery

In June 2023, we engaged with Epiroc to seek clarification on recent GHG emissions disclosure restatements, Scope 3 emissions target bottlenecks, and renewable energy procurement challenges. Engagement with this company was conducted specifically on behalf of Harding Loevner's climate strategies: International Carbon Transition Equity and Global Paris-Aligned Equity.

Epiroc recently restated its 2019 GHG data, and we sought to determine the rationale and if the company planned to restate other years. Epiroc explained that it only restated its base year[2] 2019 GHG emissions due to the significant progress in data accuracy and calculation methodology since the numbers were first calculated.

2 Base year is a year chosen as a baseline when setting GHG emissions reduction targets to measure progress toward targets.

Epiroc's progress on its Scope 3 emissions target has been slow; the company achieved about 5% of its target in three years, leaving it seven years to achieve the remaining 95%. We asked the company to identify the actions needed to reach its target and the key bottlenecks preventing progress. We also asked the company what challenges it faces for renewable energy adoption, which has slowed to only small additions year-over-year. Epiroc explained that while fossil-fuel dependency is likely to continue for some time, order growth for its battery-electric equipment rose significantly in 2022. Battery technology and cable-connected equipment are two areas that are enabling zero-emissions operations, provided renewable energy is available for charging.

Access to renewable energy is a challenge for both Epiroc and its customers, making reductions in Epiroc's Scope 3 emissions likewise challenging. We will continue to monitor the company's progress and engage further.

Social

Symrise
Country: Germany
Sector: Materials
Industry: Chemicals

In August 2023, we spoke with Symrise's CFO, CEO, and IR team to receive an update on the EU antitrust investigation into price fixing by Symrise and three other flavors and fragrances companies (Firmenich, Givaudan, and International Flavors & Fragrances). Symrise flatly denied any wrongdoing in our call.

In March 2023, EU antitrust regulators raided the headquarters of Symrise and the other companies in a search for documents pertaining to the investigation. In response to that search, Symrise filed an appeal with the Court of Justice of the European Union that required the EU to explain why the search was justified and to outline the accusations against the companies. The deadline for a response had passed, with the EU indicating that the earliest it will respond is in 2024. During our August call, management detailed its approach to the investigation—including hiring an outside expert to examine all Symrise documents—and indicated that there should not be any material costs related to the investigation going forward. Symrise suggested during our conversation that the company potentially stood to benefit from the investigation should its competitors be found guilty of collusion.

Keyence
Country: Japan
Sector: Information Technology
Industry: Electronic Equipment Instruments and Components

In November 2023, we conducted an in-person meeting with Keyence management to discuss the risk that Chinese authorities could request that Japanese companies manufacture more of their products in China, and whether this could impact Keyence's manufacturing strategy.

Keyence shared that it had not received any pressure from Chinese authorities, but that it was prepared to increase localized manufacturing for any large markets should the need arise. Currently Keyence assembles 20% of its products outside Japan (primarily in China), while all research and development takes place in its Osaka headquarters. All Keyence products are shipped from Japan, where the final inspection is done, even those assembled outside of Japan.

Governance

Abcam
Country: United Kingdom
Sector: Health Care
Industry: Biotechnology

On May 17, 2023, Jonathan Milner—the founder and one of the largest shareholders of Abcam—sent a letter to shareholders announcing his plans to call an Extraordinary General Meeting proposing that he replace Abcam's current Chairman of the Board Peter Allen.

Milner's objective was, in his words, to remedy a "sustained period of operational underperformance since the start of 2020 and a track record of value destruction under the current board and leadership team" since Milner resigned from the board in October 2020. We were sympathetic to Milner's views, having shared similar concerns about Abcam's sustained underperformance. However, we believed that Abcam's operational performance was starting to improve, and that drastic changes could undermine this turnaround.

Following the filing, both Milner and the board contacted us to solicit our perspective. In our calls, we shared our view on company performance and expressed that open hostility between Milner and the board was an unwelcome distraction. We said that we would prefer cooperation between both parties towards a swift resolution. By mid-June, Abcam's board announced that it was exploring strategic alternatives and had received acquisition inquiries from multiple parties. The company also released updated revenue and margin guidance that was materially above our expectations. Following the release, Milner announced that he was suspending his proxy battle.

Ariake
Country: Japan
Sector: Consumer Staples
Industry: Food Products

In June 2023, we engaged with Japanese food seasoning producer Ariake in advance of a proxy vote to discuss our decision to vote against Takahiko Sasaki joining its board of directors. Our concerns included a potential conflict of interest due to Sasaki's consulting agreement with Ariake and the company's decision to expand its board without including any foreign or female directors.

In our discussion with Ariake, it appeared that the company was attempting to diversify its board but faced challenges in attracting diverse talent due to its small size and the rural location of its headquarters. These issues are not unique to Ariake and are common among Japanese companies located outside of Tokyo, often resulting in over-boarding. Given these challenges, Ariake's choice to nominate Sasaki, someone with whom the company had an existing relationship, was somewhat understandable. Although we voted against Sasaki's appointment, we supported the election of other board members, hoping Ariake would make progress in enhancing board diversity. We will continue to monitor the issue.

Harding Loevner's Structured Engagement

In 2023, Harding Loevner continued a structured plan that began in 2022 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 has been to identify companies with unaddressed material risks about which we have not previously engaged. The selection process has involved 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, the current structured engagement initiative has been focused on emerging market and frontier emerging market companies. We will track the success of these engagements throughout 2024, with planned periodic follow-ups and reporting.

Spotlight on Board Diversity

Although companies are continuing to make progress on board-level DEI efforts—on both overall reporting and efforts to make boards more inclusive—currently, only gender diversity at the board level is consistently reported across countries. While gender is only one aspect by which to assess overall cognitive diversity, we believe that a lack of gender diversity could serve as an indicator of a board with an insufficient array of skills and experience. Hence, a lack of gender diversity can serve as a trigger to further engage portfolio companies. Additionally, we look to engage with companies operating in countries that plan on instituting board diversity requirements to ensure preparedness. For identified companies, we seek sufficient board diversity to improve decision-making and quality of management supervision and request that companies provide proper disclosure on the board's skill mix and key qualifications for board members.

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.

Collaboration Initiative: CDP Non-Disclosure Campaign

In 2023, we participated in CDP's NDC 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, on behalf our Global Paris-Aligned and International Carbon Transition Equity strategies.

In June 2023, we led a letter writing campaign to four of our holdings (Adyen, Country Garden Services, Telkom Indonesia, and Pinterest)—alongside other CDP signatories—to encourage them to complete TCFD information on the CDP platform. In response to our letter, Pinterest, the US social media and shopping platform, responded to say that while it would be unable to provide 2023 climate change disclosure through the CDP disclosure platform, it was taking steps to provide a framework on how the company is thinking about ESG, which included the company's first ESG report that was released earlier in 2023. The company noted that it hoped to provide CDP reporting in 2024 and offered to host a call with our covering analyst for more information.

CDP reported in January 2024 that of the 388 companies that disclosed following the 2022 NDC, 350 (90%) resubmitted in the 2023 disclosure cycle, demonstrating that collective efforts to improve the disclosure landscape take persistence over the long term. Notably, the NDC runs in parallel to CDP's main disclosure request each year, however, the NDC relies on direct engagement from participating financial institutions instead of CDP engaging with companies on behalf of all their signatories. This collaboration initiative allowed Harding Loevner to support comprehensive environmental disclosure while also engaging directly with investee companies held in our climate-related strategies.

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. In cases where we vote against management, our procedure, as mentioned in Principle 5, and practice, as outlined below in Principle 12, embeds systematic escalation in that our analysts are required to write to those management teams to explain our rationale for a contrary vote and to invite constructive 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. In all cases, our analysts will be mindful of cultural differences and practices across geographies when escalating engagements.

Escalation Examples in 2023:

The Trade Desk
Country: USA
Sector: Communication Services
Industry: Media

In January 2023, we conducted a formal engagement with US digital advertising platform The Trade Desk. The purpose of the meeting was to follow up on our 2022 engagement letter, in which we requested that the company conduct an ESG materiality assessment, and share publicly material ESG risks and opportunities, potential ESG impacts on operations, and the company's strategy to address ESG risks. During the call, the company confirmed that in 2023 it planned to submit a CDP report that will include its GHG footprint and is considering publishing DEI data.

Going forward, a newly hired chief growth officer (CGO) will take over climate and ESG efforts and will work to expand the currently absent sustainability disclosure. The CGO's efforts will be overseen by the company's Governance Committee and legal counsel. Overall, we felt that these actions represented positive developments on climate and ESG disclosure, and we will continue to monitor the company's progress.

Nike
Country: USA
Sector: Consumer Discretionary
Industry: Textile Apparel and Luxury Goods

Nike has two share classes with class A shareholders, Swoosh, entitled to elect 75% of the board. Swoosh is controlled by the 86-year-old founder and chairman-emeritus Phil Knight and his son Travis. In 2022, our Consumer Discretionary analyst spoke to the company on several matters including its share class structure to express our preference for adoption of sunset provisions.

Displeased with the company's progress, in 2023, our analyst decided to escalate this engagement by moving to withhold a vote on a director election to express dissatisfaction with the company's lack of a time-based sunset provision to its multi-share class structure, which would eventually turn all shares into a single class.

Lonza

Country: Switzerland
Sector: Health Care
Industry: Life Sciences Tools and Services

Lonza was sold from the International Equity strategy during the calendar year, following concerns over increasing rivalry in the biologic drug manufacturing industry, as well as governance concerns. A long-term holding since 2018, we had multiple engagements with company regarding its strategic initiatives and several management changes. In September 2023, Lonza's board dismissed its CEO for the third time in approximately ten years and did not immediately appoint a replacement. The timing of yet another forced departure, at a challenging time for Lonza's industry structure, gave us pause. We fear that the board's ability to effectively appoint and retain quality management is impaired and felt the best course of action was to disinvest, rather than to engage further.

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 broader 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.

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. Our ESG associate and Data Strategy and Automation team have improved our internal data capture and reporting ability for proxy voting both at a firm level and for individual clients as they may require.

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.

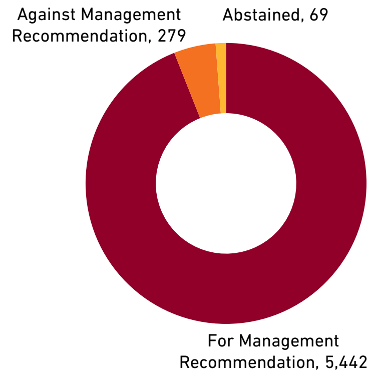
2023 Voting Activity

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.

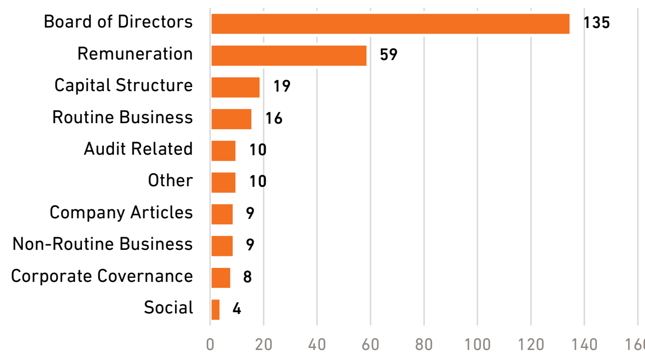
In 2023, Harding Loevner analysts cast nearly 5,800 votes across over 500 issuers held in our investment strategies. We voted with management on 92% of proposals and against management on 7%. We abstained from voting in 1% of proposals. Our most common reason for abstaining was because we had insufficient information to cast a vote responsibly. We also abstained for procedural reasons, for instance, when a vote against one proposal would be counted as a vote against any new or amended proposals presented at the same meeting.

We voted against management on 279 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 2023



2023 Votes Against Management by Topic



Assessment of Proxy Voting Effectiveness

Votes Against Management

Of the votes against management, successful votes are those that we voted against a management proposal that ultimately failed or voted for a shareholder proposal that management voted against that ultimately passed. If we vote against management our analyst will 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. Twenty-one companies responded to our letters, 10 of which were substantive responses which enabled further dialogue beyond an acknowledgment of receipt.

In 2023, eight of our votes against management were successful, meaning that vote results coincided with our analysts' vote. Most of the successful votes were relating to "say-on-pay" or executive compensation (remuneration) related proposals.

Most of our votes against management recommendations, however, were not successful. We've outlined two examples below:

- In August 2023, we wrote to the management of Chinese biotechnology company WuXi AppTec to explain our decision to vote against the election of Ms. Christine Shaohua Lu-Wong as an independent non-executive director. Ms. Lu-Wong had previously served as the CFO of WuXi Biologics—a separate entity that was spun-off for WuXi AppTec in 2015—and we were concerned that she was not sufficiently independent, despite meeting the requirements of the local listing laws for both the Shanghai and Hong Kong stock exchanges. While Ms. Lu-Wong was ultimately elected to the board, we reiterated our preference that WuXi AppTec search for independent directors who are less connected with the company or its affiliates.

- In December 2023, we conducted a call with US-based designer of semiconductor and infrastructure software Broadcom to explain why we voted against the reappointment of Harry L. You to the firm's board of directors. At the time of the vote, Mr. You was serving on four other company boards, thus we felt he was over-boarded and would not be able to devote the appropriate amount of time to his duties. During the call, Broadcom stated that most of the other boards he served on were those of special purpose acquisition companies (SPACs) that required minimal involvement. Additionally, Mr. You had since stepped down from at least one other board. We were pleased to learn that Mr. You had fewer obligations but nonetheless expressed our concerns on overextension.

Shareholder Proposals

In 2023, shareholder proposals represented fewer than 3% of total ballot items among our investee companies. We voted in favor of 18 shareholder proposals, none of which passed. Harding Loevner did not initiate any shareholder proposals.

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 2023, 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 2022 that we deemed to be significant.

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