

## THE HARDING LOEVNER EMERGING MARKETS EX CHINA EQUITY FUND

### Supplement to the Prospectus dated 30 November 2022 For Harding Loevner Funds plc

This Supplement contains specific information in relation to The Harding Loevner Emerging Markets ex China Equity Fund (the “**Fund**”), a Fund of Harding Loevner Funds plc (the “**Company**”) an umbrella type open-ended investment company with variable capital and segregated liability between sub-funds governed by the laws of Ireland and authorised by the Central Bank of Ireland (the “**Central Bank**”).

**This Supplement forms part of, may not be distributed unless accompanied by the Prospectus of the Company dated 30 November 2022 (the “Prospectus”) (other than to prior recipients of the Prospectus), and must be read in conjunction with, the Prospectus.**

The Directors of Harding Loevner Funds plc, whose names appear in the **Directors of the Company** section of the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

**The Fund may invest in financial derivative instruments for investment and efficient portfolio management purposes, primarily to manage the Fund’s cash balances, cash flows, generate additional income or to hedge specific risks.**

**An investment in this Fund should be viewed as a medium to long-term investment, not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**The Fund is actively managed.**

Dated: 29 November 2024

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## **Definitions**

Any words or terms not defined in this Supplement have the same meaning given to them in the Prospectus.

“**Annex**” means the pre-contractual disclosure for the Fund under Annex II of Commission Delegated Regulation (EU) 2022/1288.

“**Sustainability Characteristics**” means the environmental characteristic, energy transition management, or the social characteristic, social responsibility.

“**Taxonomy Regulation**” means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

## **Investment Objective and Policies**

### **Investment Objective:**

The investment objective of the Fund is to achieve long-term capital appreciation by investing primarily in equities of companies based in emerging markets.

### **Investment Policies:**

The Fund seeks to achieve its objective by investing in emerging markets-based companies that the Investment Manager regards as well managed, financially sound, fast growing, strongly competitive, and whose shares are reasonably priced relative to estimates of their value.

The Fund will invest in freely transferable equity and equity-related securities of issuers based in emerging markets and frontier markets in Asia (excluding the People’s Republic of China (“**PRC**”), Latin America, Europe, the Middle East and Africa. Factors bearing on whether an issuer is considered to be “based” in an emerging or frontier market may include: (i) it is legally domiciled in an emerging or frontier market; (ii) it conducts at least 50% of its business, as measured by the location of its sales, earnings, assets, or production, in emerging or frontier markets; or (iii) it has the principal exchange listing for its securities in an emerging or frontier market.

The Fund is prohibited from investing in companies based in the PRC.

The securities will primarily be common stocks and equity-related securities, meaning preferred stocks, warrants (not more than 5% of the Fund’s Net Asset Value), rights (which are issued by a company to allow holders to subscribe for additional securities issued by that company), convertible securities (which, for the avoidance of doubt, will not include contingent convertible bonds (CoCos)), Depository Receipts, equity-linked notes and participatory notes (such notes will not be bespoke to the Fund), as more particularly set out in the section “Funds” in the Prospectus.

The Fund will invest on a long only basis.

The Fund may also invest (up to 10% of its Net Asset Value) indirectly in such securities through holdings in open-ended collective investment schemes that satisfy Regulation 3(2) of the Regulations which shall be predominantly in the form of exchange traded funds and listed and traded in Europe.

Under normal circumstances at least 80% of the Fund’s net assets will be invested in the foregoing instruments, i.e., freely transferable equity and equity-related securities of issuers based in emerging markets. The Fund will be highly diversified and therefore will not be concentrating on any specific regions or economic sectors. It will pursue a policy of active stock selection in the markets in which it operates.

## **Investment Strategy**

The Fund will invest in equities and equity-related securities of companies that the Investment Manager regards as possessing competitive advantages, capable management, strong financials, and above-average growth potential, and whose shares are reasonably priced relative to estimates of their value. The Investment Manager undertakes in-depth fundamental research to identify companies that meet these quality-growth investment criteria before making judgments about share prices. This bottom-up research process incorporates qualitative and quantitative data to compare businesses on a global basis and utilises the Investment Manager's proprietary company quality scoring system to evaluate the attractiveness of industries and corporate earnings durability. The Investment Manager gathers qualitative and quantitative data through a variety of means, including due diligence on target companies, assessment of industry structure and the company's position within its industry, and analysis of anticipated growth of a company compared to its peers. The Investment Manager believes such fundamental analysis enables it to recognise when transient market misperceptions (e.g., mispricings) create investment opportunities. It further believes insights gained through this qualitative and quantitative analysis of individual companies is more valuable and reliable in the long term than forecasts of aggregate stock market directions.

The Investment Manager has a single research team organized primarily by global sector, in which analysts study companies worldwide that operate within their industry specialties. In addition, it has regional analysts responsible for companies in emerging markets, frontier markets and Japan. This division of responsibilities encourages development of deep expertise in the global competitive dynamics of industries and facilitates collaboration and cross-border comparisons.

Portfolio managers choose among analyst-rated companies—considering both analyst recommendations and impact on portfolio risk—to construct a model portfolio for the Fund. Internal risk-control limits applied to geography, sector, and holding weights ensure diversification. Portfolio managers may sell a stock when it is “crowded out” by a more attractive investment opportunity, it appears overvalued, or the company's business fundamentals have deteriorated.

## **ESG Integration**

Information related to environmental or social characteristics is available in the Annex.

When evaluating target companies for investment, the Investment Manager includes an explicit consideration of ESG risk factors. To determine a company's suitability for investment, the Investment Manager's analysts focus on four criteria: competitive advantage, quality management, financial strength, and sustainable growth. ESG risks and opportunities are among the factors that may impact a company's ability to meet these criteria. Analysts therefore consider such risks and opportunities at each stage of their analysis.

Upon commencing research on a company, the analyst reviews its governance using a 14-point checklist to ensure companies with egregious governance practices are eliminated from consideration. The analyst also completes a 16-point red flag checklist to determine if the company faces any severe risks in these areas that require closer analysis.

The analyst's in-depth company research includes evaluating 29 distinct ESG factors in its ESG scorecard, like climate change, treatment of customers, labor practices, community relations, cybersecurity, and management-shareholder alignment in order to determine an overall “ESG Score” for a company. 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. This scorecard process provides a consistent framework for comparing companies' ESG risks and opportunities across all industries and geographies. ESG assessments may affect the analyst's long-term forecasts of growth, margins, capital intensity, or competitive position. Further, the Investment Manager uses a company's overall ESG Score in its valuation model, where it affects projected cash flows.

The Investment Manager's portfolio managers consider ESG factors among other factors affecting risk and expected returns in choosing among companies approved by analysts.

## Promotion of Sustainability Characteristics

The Fund's security selection process, including its consideration of ESG risk factors, results in certain investments promoting one or more environmental and/or social characteristics within the meaning of Article 8 of SFDR. The Fund promotes the environmental characteristic of energy transition management and/or the social characteristic of social responsibility (collectively defined in this Supplement as "**E/S Characteristics**"). Each investee company must also follow good governance practices in accordance with Article 8 of SFDR. The Investment Manager refers to six (6) sustainability indicators, three (3) environmental and three (3) social, to measure whether the Fund's investee companies promote one or both of the E/S Characteristics within the meaning of Article 8 of SFDR. Performance against these indicators is measured using third-party data sourced from MSCI ESG Research LLC.

The three (3) environmental indicators used to measure the environmental characteristic of energy transition management are:

- the presence of science-based emissions reduction targets at the underlying investee company level; or
- a company's management of climate-related risks and opportunities; or
- lower carbon emissions intensity relative to peers.

At least one of the foregoing indicators must be present for a company to promote energy transition management.

The three (3) social indicators used to measure the social characteristic of social responsibility are:

- effective human capital management, where diversity policies and programmes demonstrate evidence of an inclusive culture; and where a company's management fosters employee engagement and satisfaction; or
- product safety, including product quality certifications, product testing and building and component oversight to identify companies whose products demonstrate competitive advantage through risk management; or
- data security measures, including privacy protection policies and procedures, training, and development to protect customers.

At least one of the foregoing indicators must be present for a company to promote social responsibility.

The Fund does not have sustainable investment as its investment objective.

## Consideration of Principal Adverse Impacts

The Manager does not consider principal adverse impacts of investment decisions on sustainability factors in accordance with Article 7 of SFDR, as further detailed in the Prospectus.

The Investment Manager considers principal adverse impacts of investment decisions on sustainability factors in respect of the Fund. Further details are set out in the Annex.

## Investment Restrictions

The general investment restrictions set out under the heading **FUNDS - Investment Restrictions** in the Prospectus shall apply. In addition, the following investment restriction applies to the Fund:

### **Controversial Weapons**

In pursuing its investment objective, the Fund will be prohibited from investing in "controversial weapons", being companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.

## **Borrowings**

In accordance with the general provisions set out in the Prospectus under the heading **FUNDS - Borrowing and Lending Powers** the Fund may borrow up to 10% of its net assets on a temporary basis.

## **Leverage**

It is not intended that the Fund will be leveraged, however, should leverage be generated by the use of financial derivatives instruments, it will not exceed 100% of the Net Asset Value of the Fund thus total exposure cannot exceed 200% of Net Asset Value. The market risk of the Fund associated with the use of financial derivative instruments will be measured using the commitment approach in accordance with the requirements of the Central Bank.

## **Total Return Swaps, Securities Lending, Repurchase and Reverse Repurchase Agreements**

The Company will not enter into any total return swaps, securities lending, repurchase or reverse repurchase agreements in respect of the Fund.

## **Risk Factors**

The general risk factors are set out in the Prospectus under the heading **RISK FACTORS**. In addition, the following risk factors apply to the Fund:

### **Market Risk**

Investments in the Fund may lose value due to a general downturn in stock markets.

### **Currency Risk**

The Base Currency of the Fund is US Dollars. As the Euro and Sterling Classes are denominated in a currency other than the Base Currency of the Fund, and as currency conversions will take place on subscriptions, redemptions and distributions at prevailing exchange rates, the Euro and Sterling Classes will have a currency risk exposure to US Dollars.

### **Emerging Market and Frontier Market Risk**

Emerging market securities involve unique risks such as exposure to economies less diverse and mature than that of the United States or more established foreign markets. Economic or political instability may cause larger price changes in emerging market securities than in securities of issuers based in more developed countries.

Investments in frontier markets involve risks similar to investments in emerging markets but to a greater extent since frontier markets are even smaller, less developed and less accessible than emerging markets. Frontier markets may also experience greater political and economic instability and may have less transparency, less ethical practices, and weaker corporate governance compared to emerging markets. The countries that comprise frontier markets include the lesser developed countries located in Africa, Asia (including countries in the Commonwealth of Independent States, formerly the Soviet Union), the Middle East, Eastern Europe and Latin America.

## **Risk Management Process**

The Fund employs a Risk Management Process which enables it to accurately measure, monitor and manage the various risks associated with financial derivative instruments and which is available to investors.

## **Dividend Policy**

There are no dividend entitlements for Shares.

## **Profile of a Typical Investor**

The Fund is suitable for investors seeking capital growth who are prepared to accept a medium to high degree of volatility over a five to seven year market cycle.

## **Benchmark Index**

The Fund's performance will be compared to the MSCI Emerging Markets ex China Index (the "**Comparator Benchmark**"). The Comparator Benchmark is an index used to measure equity market performance in global emerging markets. The Comparator Benchmark is used to compare the performance of the Fund against but is not used to constrain portfolio composition or as a target for the performance of the Fund.

## **Key Information for Buying and Selling**

### **Base Currency**

US Dollars

### **Business Day**

Any day on which the banks are open for business in London, New York and Dublin and/or such other place or places as the Directors may, with the consent of the Depositary, determine.

### **Dealing Day**

Each Business Day and/or such other day or days as the Directors may in their absolute discretion determine and notify in advance to Shareholders provided that there shall be at least two Dealing Days in each month (with at least one Dealing Day per two week period).

### **Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline is 3.00pm (Irish time) on each Dealing Day.

Investors should note that share purchase and repurchase requests received prior to the Dealing Deadline may not be withdrawn prior to the relevant Dealing Day.

### **Minimum Amounts**

<b>Class</b>	<b>Minimum Shareholding</b>	<b>Minimum Initial Investment Amount</b>	<b>Minimum Additional Investment Amount</b>
US Dollar Class A	\$100	\$100	\$100
US Dollar Class N	\$100	\$100	\$100
Euro Class I	\$1,000,000 or currency equivalent	\$1,000,000 or currency equivalent	€100
US Dollar Class I	\$1,000,000	\$1,000,000	\$100

<b>Class</b>	<b>Minimum Shareholding</b>	<b>Minimum Initial Investment Amount</b>	<b>Minimum Additional Investment Amount</b>
Sterling Class I	\$1,000,000 or currency equivalent	\$1,000,000 or currency equivalent	£100
US Dollar Class X	\$25,000,000	\$25,000,000	\$100

(subject to the discretion of the Directors in each case to allow lesser amounts).

### **Initial Offer Period**

The Initial Offer Periods for all Share Classes will open at 9.00 a.m. (Irish time) on 2 December 2024 and shall close at 5.00 p.m. (Irish time) on 28 May 2025. The end date of the Initial Offer Period may be subject to such earlier or later date as the Directors may determine and notified to the Central Bank.

### **Initial Issue Price**

10.000 of the applicable currency per Share.

### **Settlement Date**

In the case of initial share requests, the Application Form, where appropriate (and all supporting documentation), or an application by electronic means (such as an application via a Recognised Clearing System), must be received before the Dealing Deadline.

Subsequent share purchase requests and repurchase requests should be made by completing the appropriate dealing form where appropriate, or by electronic means as noted above, and be submitted in accordance with the provisions set out in the Prospectus to be received by the Administrator before the Dealing Deadline.

Payment in respect of the issue of Shares must be received by the Administrator within three Business Days of the relevant Dealing Day by electronic transfer in cleared funds in the currency of the relevant Share Class.

The amount due on the repurchase of Shares of any Share Class in the Fund will be paid within three Business Days by electronic transfer to an account in the name of the Shareholder or settlement bank account, as appropriate. Repurchase proceeds will only be paid on receipt by the Administrator of any relevant repurchase documentation.

### **Subscription Charge**

A waivable subscription charge of up to 5% of the subscription proceeds may be payable by applicants in respect of the US Dollar Class A Shares.

No subscription charge will be charged in respect of the remaining Share Classes of the Fund. However, the Directors may in their discretion introduce such a fee at a later date in accordance with the terms of the Prospectus and upon prior written notification to Shareholders of the affected Share Class(es).

### **Repurchase Charge**

No repurchase charge will be charged in respect of Shares of the Fund. However, the Directors may in their discretion introduce such a fee at a later date in accordance with the terms of the Prospectus and the requirements of the Central Bank.



## Anti-Dilution Charge

Cost of dealing (subject to the Directors' discretion to waive such fees).

The Directors may, where there are large net subscriptions and/or redemptions, charge an Anti-Dilution Levy which will be calculated to cover the costs of acquiring and/or redeeming investments as a result of net subscriptions and/or redemptions on any Dealing Day, which will include any dealing spreads and commissions and will be charged in circumstances where the Directors believe it is necessary to prevent an adverse effect on the value of the assets of the Fund.

## Valuation Point

Close of business (New York time) on the relevant Dealing Day.

## Fees and Expenses

### Fees of the Manager

The Manager shall be entitled to an annual management fee of up to 0.0125% of the Net Asset Value (the "**Management Fee**") of the Fund. The Management Fee is based on a sliding scale applied to the aggregate assets across all Sub-Funds, as follows:

<b>Net Asset Value</b>	<b>Management Fee as a % of Net Asset Value of the Company</b>
€0 - €500 Million	0.0125%
€500 Million - €1 Billion	0.0100%
Above €1 Billion	0.0075%

The management fee set out above is subject to an annual minimum fee of €30,000 per Sub-Fund which is subject to a minimum annual relationship fee for the Company of €75,000. The Manager shall also be entitled to an annual SFDR fee of €5,000 per Sub-Fund.

The Management Fee shall be subject to the imposition of VAT, if required. The Management Fee will be calculated and accrued daily and is payable monthly in arrears.

The Manager shall be entitled to be reimbursed by the Company out of the assets of the Fund for reasonable out of pocket expenses properly incurred and any VAT on all fees and expenses payable to or by it.

### Fees of the Investment Manager

The Investment Manager will be entitled to receive from the Company out of the assets of the Fund an annual fee of 1.60% of the net assets attributable to the US Dollar Class A Shares and the US Dollar Class N Shares (plus VAT, if any), an annual fee of 0.85% of the net assets attributable to the Euro Class I Shares, the US Dollar Class I Shares and the Sterling Class I Shares.

This fee will accrue and be calculated on each Dealing Day and be payable monthly in arrears. The Investment Manager may, at its absolute discretion, waive any portion of the investment management fee or pay any portion of such investment management fee to any third party in any manner whatsoever, whether by rebate or otherwise. The Investment Manager shall also be entitled to be reimbursed out of the assets of the Fund for its reasonable out-of-pocket costs and expenses incurred by the Investment Manager in the performance of its duties.

The Investment Manager shall not receive a fee in respect of US Dollar Class X Shares.

This section should be read in conjunction with the section entitled **Fees and Expenses** in the Prospectus.

### **Establishment Expenses**

The fees and expenses incurred in connection with the establishment of the Fund will not exceed €30,000. These fees and expenses will be paid out assets of the Fund and will be amortised over the first five years.

This section should be read in conjunction with the section entitled **Fees and Expenses** in the Prospectus.

### **Miscellaneous**

There are six other Funds of the Company currently in existence, namely:

**The Harding Loevner Global Equity Fund**  
**The Harding Loevner International Equity Fund**  
**The Harding Loevner Emerging Markets Equity Fund**  
**The Harding Loevner Frontier Emerging Markets Equity Fund**  
**The Harding Loevner Global Small Companies Equity Fund**  
**The Harding Loevner Global Paris Aligned Equity Fund**

### **Notification of Prices**

The Net Asset Value per Share will be available on each Business Day from the Administrator.

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: The Harding Loevner Emerging Markets ex China Equity Fund

Legal entity identifier: 254900SUHMRMWWUDKY24

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

The environmental characteristic of energy transition management and/or the social characteristic of social responsibility (collectively defined in this Supplement as “**E/S Characteristics**”) as further described in the following section. No reference benchmark has been designated for the purpose of attaining the promoted characteristics.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

Harding Loevner LP (the “**Investment Manager**”) refers to 6 sustainability indicators, 3 environmental and 3 social, to measure whether the Fund’s investee companies promote one or both of the E/S Characteristics within the meaning of Article 8 of SFDR. Performance against these indicators is measured using third-party data sourced from MSCI ESG Research LLC.

The 3 environmental indicators used to measure the environmental characteristic of energy transition management are:

- the presence of science-based emissions reduction targets at the underlying investee company level; or
- a company’s management of climate-related risks and opportunities; or
- lower carbon emissions intensity relative to peers.

At least one of the foregoing indicators must be present for a company to promote energy transition management.

The 3 social indicators used to measure the social characteristic of social responsibility are:

- effective human capital management, where diversity policies and programmes demonstrate evidence of an inclusive culture; and where a company’s management fosters employee engagement and satisfaction; or
- product safety, including product quality certifications, product testing and building and component oversight to identify companies whose products demonstrate competitive advantage through risk management; or
- data security measures, including privacy protection policies and procedures, training, and development to protect customers.

At least one of the foregoing indicators must be present for a company to promote social responsibility.

The Investment Manager has selected 10 individual metrics to support six sustainability indicators identified above, which in turn underpin the Fund’s two E/S Characteristics.

The individual metrics can be grouped as follows:

- five metrics (SBTi approved emissions reduction targets, diversity workforce policy, employee satisfaction survey, the absence of discrimination or diversity controversies, and data security training) are binary (i.e., the attribute is either present or absent);
- three metrics (climate change theme, product safety and quality, and privacy and data security) are based on scores sourced from MSCI’s ESG Ratings Key Issue Framework which will require an individual company score to be in the equivalent of a “leader” category on a 0 – 10 scale; and
- two metrics (carbon emissions intensity and carbon intensity 3-year trend) involve a peer relative comparison (either at a point in time demonstrating a materially lower carbon intensity versus its Global Industry Classification Standard (GICS) Sector peer group, or at least 10% or more below the industry peer median over a three-year trend).

For some of the sustainability indicators, a single metric is sufficient to demonstrate the presence of the relevant sustainability indicator, while for others, multiple or combined metrics must be met as listed above (e.g., to meet the human capital management sustainability indicator, an investee company must have a diversity policy, demonstrate the absence of controversies and actively monitor employee satisfaction).

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable, as the Fund promotes the E/S Characteristics, but will not make sustainable investments within the meaning of SFDR.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable.

- — *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable.

- — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**Does this financial product consider principal adverse impacts on sustainability factors?**

- ✘ Yes, the Investment Manager considers principal adverse impacts of its investment decisions on sustainability factors in respect of the Fund.

The following PAIs are considered:

Through the Fund’s exclusionary screening:

- Exposure to controversial weapons;

Through the Fund’s measurement of promoted E/S characteristics:

- GHG intensity of investee companies, as it relates to environmental sustainability
- Incidents of discrimination, as it relates to social and employee matters.

The Fund will provide information on the indicators considered by the Investment Manager with the Fund’s annual report.

No



### **What investment strategy does this financial product follow?**

The Fund seeks to achieve its objective by investing in emerging markets-based companies that the Investment Manager regards as well managed, financially sound, fast growing, strongly competitive, and whose shares are reasonably priced relative to estimates of their value.

The Fund will invest in freely transferable equity and equity-related securities of issuers based in emerging markets and frontier markets in Asia (excluding the People’s Republic of China (“**PRC**”), Latin America, Europe, the Middle East and Africa. Factors bearing on whether an issuer is considered to be “based” in an emerging or frontier market may include: (i) it is legally domiciled in an emerging or frontier market; (ii) it conducts at least 50% of its business, as measured by the location of its sales, earnings, assets, or production, in emerging or frontier markets; or (iii) it has the principal exchange listing for its securities in an emerging or frontier market.

When evaluating target companies for investment, the Investment Manager includes an explicit consideration of ESG risk factors. To determine a company’s suitability for investment, the Investment Manager’s analysts focus on four criteria: competitive advantage, quality management, financial strength, and sustainable growth. ESG risks and opportunities are among the factors that may impact a company’s ability to meet these criteria. Analysts therefore consider such risks and opportunities at each stage of their analysis.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

As noted in the Prospectus, when evaluating target companies for investment, the Investment Manager includes an explicit consideration of ESG risk factors. The in-depth company research conducted by analysts includes evaluating 29 distinct ESG factors in its ESG scorecard, like climate change, treatment of customers, labor practices, community relations, cybersecurity, and management-shareholder alignment in order to determine an overall “ESG Score” for each company under coverage. As a result, the Fund’s security selection process results in investments that promote one or both of the E/S Characteristics within the meaning of Article 8 of SFDR. The ESG factors evaluated in the ESG scorecard map to the sustainability indicators described in detail above against which investee companies are measured to assess promotion of one or both of the E/S Characteristics. How investee companies perform against those sustainability indicators is monitored on an ongoing basis. The Investment Manager has established thresholds to measure

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

promotion of the E/S Characteristics using the sustainability indicators; meeting the relevant threshold(s) described above is indicative of the company's promotion of one or both of the E/S Characteristics. An investee company must meet at least one of the 3 environmental indicators in order to be considered to promote the environmental characteristic of energy transition management, or at least one of 3 social indicators in order to be considered to promote the social characteristic of social responsibility.

In addition, the Fund is prohibited from investing in the following:

#### Controversial Weapons

- "controversial weapons", being companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.

The aforementioned exclusions are also coded into the Investment Manager's order management system.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund is not committed to reduce the scope of investments by a minimum rate prior to the application of the above investment strategy.

- ***What is the policy to assess good governance practices of the investee companies?***

Considerations of good governance are embedded in the Investment Manager's investment process. Companies that operate with a disregard for their environment, for the welfare of societies in which they conduct their business, or for the sound principles of governance by which the interests of their shareholders are protected put their financial results at long-term risk.

Upon commencing research on a company, the analyst reviews its governance using a 14-point elimination checklist to ensure companies with poor governance are eliminated from consideration. The analyst also completes a 16-point red flag checklist to determine if the company faces any severe risks that require closer analysis. The two checklists cover various topics including, among others, sound management structures, employee relations, remuneration of staff and tax compliance. Company information considered as part of these two checklists is supplemented by data from MSCI, as appropriate. If following completion of these two checklists, a company merits further investment consideration, the Investment Manager views the company as following good governance practices within the meaning of SFDR.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



#### **What is the asset allocation planned for this financial product?**

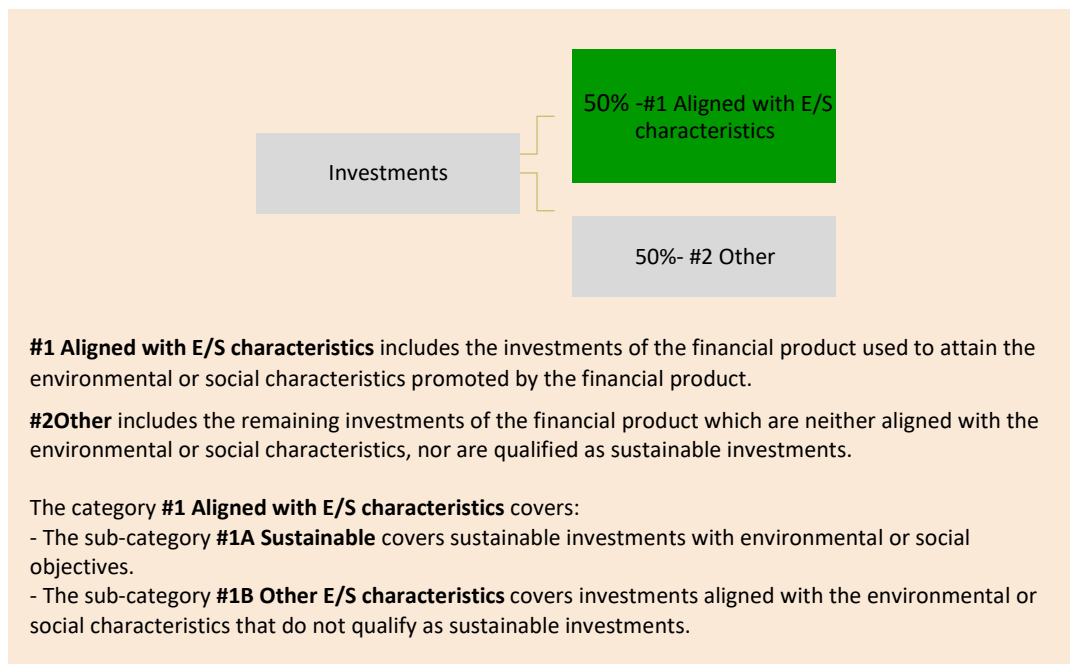
The planned asset allocation is that the Fund shall invest a minimum of 50% of its assets in investments that are aligned with one or both of the promoted E/S Characteristics (Category #1, below).

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The remaining proportion of up to 50% of the Fund’s assets (Category #2, below), are (i) investments that meet the Fund’s overarching investment strategy but do not promote the E/S Characteristics; and (ii) cash and cash equivalents, for liquidity and transitory flows (i.e., subscriptions and redemptions), as discussed further below.



To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the promoted E/S Characteristics.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not seek to make EU Taxonomy aligned investments, accordingly, the minimum extent to which sustainable investments with an environmental objective are expected to be aligned with the Taxonomy Regulation is 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

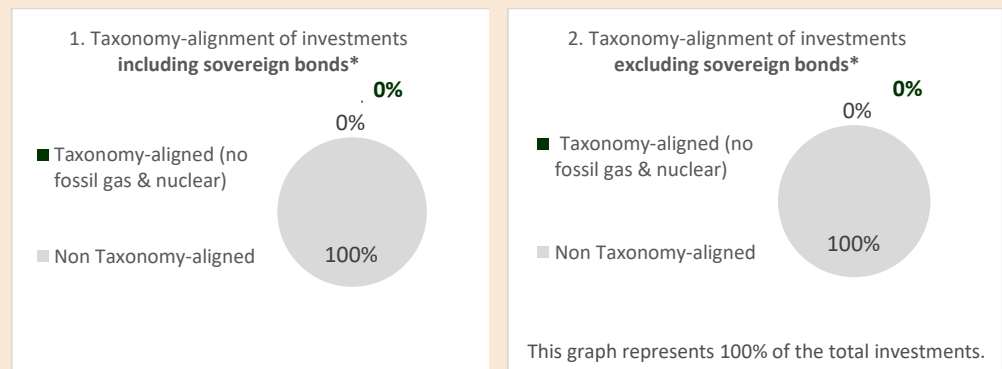
In fossil gas     In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

The Fund does not seek to make EU Taxonomy aligned investments, accordingly, 0% of the Fund's assets are expected to be in transitional or enabling activities.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable, as the Fund does not seek to make sustainable investments within the meaning of SFDR.



**What is the minimum share of socially sustainable investments?**

Not applicable, as the Fund does not seek to make sustainable investments within the meaning of SFDR.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

"Other" investments (Category #2 above) are (i) investments that meet the Fund's overarching investment strategy but do not promote the E/S Characteristics; and (ii) cash and cash equivalents, for liquidity and transitory flows (i.e., subscriptions and redemptions).

Other investments, other than cash and cash equivalents, may not invest in the prohibited investments set out above.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No reference benchmark has been designated for the purpose of attaining the E/S Characteristics.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

<https://www.hardingloevner.com/ways-to-invest/ucits-funds>