HARDING LOEVNER

TCFD Report 2022

Introduction

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 earnings.

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.

Our primary consideration in evaluating climate-related risks and opportunities is the potential impact they could have on our ability to meet our clients' expectations of us, both financially, by achieving superior risk-adjusted returns, and non-financially, by advancing other goals they may hold. As we analyze and invest in securities on behalf of our clients, we are constantly reassessing their issuers' business prospects in light of their long-term plans and the future conditions we think they may face. Such assessment includes close study of climate-related risks and opportunities, study that aims to ensure that the companies in which we invest are clear-eyed about the future and are equipped to navigate an era of adaptation to climate change and transition to alternative energy sources and production processes.

For us to make these assessments well, we need companies to be transparent about the potential impact of climate-related risks and opportunities as well as the steps they are taking or contemplating to address them. Good disclosure is also key to facilitating assessment of our own business, products, services, and investments. This report, constructed under Task Force on Climate-Related Financial Disclosures (TCFD) guidelines, allows us to practice what we preach, to help our clients and their advisers as well as other audiences understand our approach to addressing the risks and opportunities that climate change presents to our clients and our business.

The TCFD distinguishes between *physical* risks (such as increased frequency and severity of extreme weather events or rising temperatures and sea levels) and *transitional* risks related to commercial, governmental, and societal efforts to decrease carbon usage (such as changes in the policy and legal landscape, new technologies, or changes in consumer preferences and behaviors). We find it helpful to keep this distinction in mind as we evaluate climate-related risks.

In this report, we will examine physical and transitional risks, as well as climate-related opportunities, in two contexts. The first context is that of Harding Loevner as a business. This discussion will focus on how we run the firm and set its business strategy to address the risks and opportunities that may arise from the current and potential impacts of climate change.

The second context is how our practice of asset management is affected by climate-related risks and opportunities. This discussion will focus on how we evaluate investments; how we specify and execute investment strategies to meet our clients' objectives as they articulate them; and how we identify, analyze, and manage at the individual security and portfolio levels the risks and opportunities faced by the companies in which we invest. An important concept in that discussion will be "financed emissions," a measure of the greenhouse gas emissions of companies in which we are invested. By tracking financed emissions and other carbon exposure metrics, we're better able to identify and manage risks, meet client and regulatory requirements, and disclose our activities and progress.

1 | Governance

Climate Impacts on Harding Loevner's Business

Policy setting and oversight of all climate-related matters resides with Harding Loevner's Executive Committee, which consists of the firm's Chief Executive Officer, Vice Chairman, President, Chief Operating Officer, Chief Investment Officer, and Chief Administrative Officer.

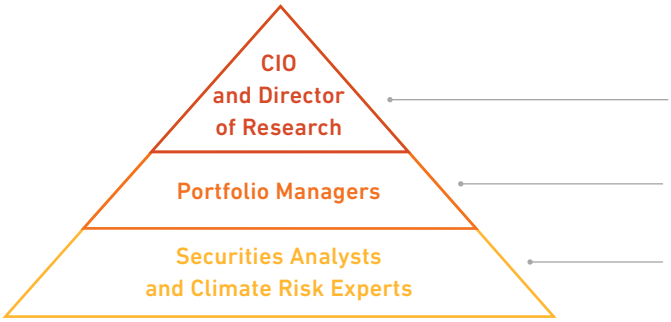
Harding Loevner's efforts to reduce and mitigate the climate impacts of its own operations are directed by the Chief Administrative Officer, while the firm's Chief Financial Officer maintains our corporate carbon inventory and oversees our offset program. The firm has created a cross-departmental Climate-Related Working Group, reporting to the Executive Committee, as a forum for information sharing and collaboration on climate-related issues across the firm.

Integration of Climate Impacts into Harding Loevner's Asset Management Practice

An examination of climate factors is an integral part of our evaluation of every company. Rather than relying on separate analysts for climate-related risks and opportunities, we think that each investment's primary analyst has the deepest understanding of the company and its industry and is therefore best equipped to discern and evaluate possible climate-related effects. Placing the responsibility for this evaluation with the company's primary analyst ensures it is embedded in our fundamental analysis, rather than addressed as an overlay.

Frontline analysts are supported by climate experts, who assist their colleagues by sharing their deep domain knowledge about climate and other related issues. Those experts also develop analytic tools and checklists to aid in uncovering and evaluating climate-related and other risks and opportunities.

Adherence to our prescribed research process is enforced by our Director of Research and two Co-Deputy Directors of Research. The firm's Chief Investment Officer oversees the overall investment process, including the integration of ESG factors in securities research.



Adherence to firm's research process, risk-management guidelines for portfolios

Management of climate-related risks at the portfolio level

Fundamental research on companies with climate risks and opportunities integrated throughout

2 | Strategy

Climate Impacts on Harding Loevner's Business

Most of Harding Loevner's staff is based at our headquarters in Bridgewater, New Jersey. We also have offices in London, Florida, and Wyoming. These locations are exposed to physical risks—for instance, we have been disrupted in the past by large storms such as Hurricanes Irene and Sandy. Over time, those risks are likely to increase, especially in the long term (10+ years), from both chronic changes such as rising temperatures as well as increased severity and frequency of extreme weather events.

We are working to minimize our own direct contribution to those physical risks. In 2021, we performed an inventory of Harding Loevner's firm-level Scope 1, Scope 2, and Scope 3 (Category 6, Business Travel - Airline travel) emissions and fully offset these inventoried emissions; we intend to continue to fully offset the firm's inventoried carbon footprint moving forward. We offset our carbon footprint through the purchase of renewable energy credits and by supporting emissions reduction programs. We continue to look for ways to reduce the greenhouse gas emissions at our offices and those caused by our activities.

Turning to transitional risks and opportunities, we see both for Harding Loevner. Risks include potential new regulation limiting the range of attractive investments available to us or requiring new or enhanced reporting around emissions, either those of our invested companies or our own direct emissions. There are also risks around changing client preferences that would require us to offer different types of products or services to remain competitive.

Such possible changes are also perhaps our most significant opportunity. We already offer products and services that are designed to meet both clients' financial and non-financial goals. We have recently launched our Global Paris-Aligned Equity UCITS Fund, which holds a portfolio comprised of companies whose operations and value chain are aligned prospectively with the goals of the Paris Agreement on climate change. We also plan to launch our International Carbon Transition Equity portfolio, organized around similar principals, soon.

Such products build on a long history of customized mandates that Harding Loevner has managed for clients. These mandates include exclusions of certain types of companies (for instance, fossil-fuel companies) from their portfolios, portfolios that ensure that a client's pro rata share of its portfolio companies' total carbon emissions remain below a declining threshold, and proxy voting and engagement policies designed to urge faster progress in the reduction of the carbon intensity of the portfolio's holdings. We have greatly enhanced our capabilities for emissions- or engagement-related reporting to increase the value of our services to clients, including many European institutional investors, and a growing proportion of Asian-Pacific and US institutional and private investors who are concerned with the climate impact of their investments or face rising regulatory requirements.

Integration of Climate Impacts into Harding Loevner's Asset Management Practice

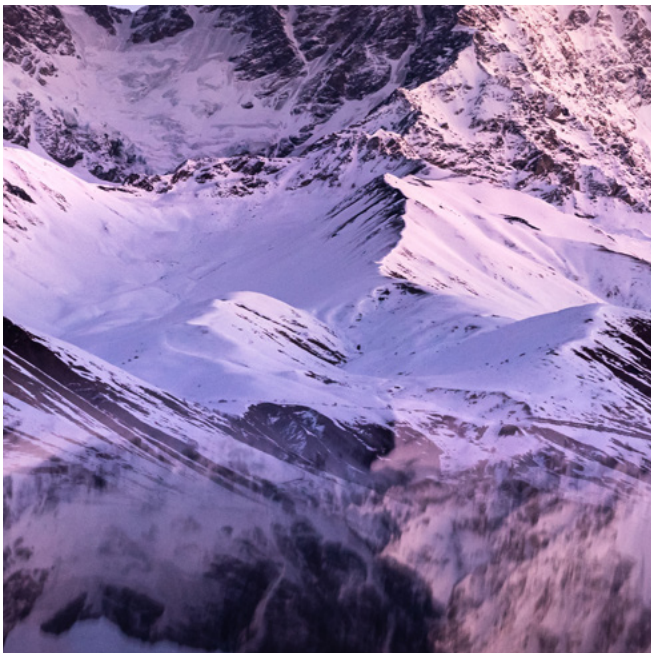
Climate change—along with efforts to mitigate its impact—has already led to a loss of value for some companies and substantial gains for others. While the climate-related impacts on individual companies are distributed across industries, sectors, geographies, and time, climate change will ultimately affect many companies' operating costs, cost of capital, growth, profitability, competitive situation and, in some cases, even their existence.

Over the short (0-5 years) to medium (5-10 years) term, we believe that transitional risks and opportunities are likely to be more material than physical risks to our companies and investment strategies. This is because several trends—improving alternative energy technologies, growing governmental commitment to and actions on climate change, and increasing public support for action on climate change in many countries, to name a few—will reinforce the efforts that companies have undertaken on their own to address climate-related challenges.

These transitional risks will generally be highest for companies in sectors that tend to have high emissions such as Industrials, Energy, Materials, and Utilities. Given their relatively higher emissions, these sectors have a greater exposure to changes in customer preference, regulation, technology, or policy, including tax policy.

Historically, our investment process has resulted in our strategies being underweight relative to their benchmarks in the Utilities and Energy sectors, as we have generally found fewer quality growth companies in which to invest in those sectors. In those carbon-intensive sectors in which we have more extensive ownership, such as Industrials and Materials, our holdings tend to have significantly lower carbon intensity than the benchmark. For detailed information on our sector exposures and carbon intensities, please see Section IV of this disclosure.

While we understand that Scope 1 and 2 emissions data paint an incomplete picture of energy transition risk, we believe that, given the relatively lower average carbon intensity across our strategies, most of the companies that they hold are better positioned to navigate the transition to a low-carbon economy than the average company.



Over the long term, physical risks of climate change—rising global temperatures, higher sea levels, and increased incidence of natural disasters—are likely to impact our portfolio companies. The prevalence and magnitude of physical risks over the long run is impossible to predict given the limitation of climate models and the enormous uncertainty about the pace and the efficacy of emission-reduction initiatives. We can assume, moreover, that the physical risks and their impact will vary widely across regions and industrial sectors.

Our analysts conduct climate scenario analysis on a company-by-company basis to better understand the potential impact of climate-related risks, especially over the medium term. Scenario analysis may impact an analyst's estimates of a company's return on capital, growth potential, and the durability of that growth and, thereby, the estimated fair value of its shares.

Company Analysis and Engagement: John Deere

John Deere is a US-based industrial equipment manufacturer. As the world's largest agricultural equipment company, John Deere faces both significant risks and opportunities as a result of climate change. Through our investment process, our analysts strive to evaluate these sorts of risks and opportunities for companies in which we are considering investment. Here is our analysis of John Deere through the lens of climate change:

Potential Risks

- Farming in traditional areas may no longer be viable due to climate change, reducing demand for Deere's products as land goes out of production and farmers' incomes drop.
- Deere's current products use internal combustion engines; increased regulation or taxation could lead to higher production costs or lower sales and the need to create new products.
- Increased frequency of droughts or floods could result in reduced farm yields and cause Deere's sales to fall with farmers' incomes.

Potential Opportunities

- Regulation and social pressure could lead to increased demand for battery-powered models as farmers replace old equipment.
- "Precision Agriculture" equipment that reduces the use of herbicide and fertilizers could gain popularity in the marketplace, as the production of such chemicals is energy intensive. Such products might offer higher profit margins.
- New regions might need to be brought into agricultural production, creating additional demand for Deere's products.

John Deere was added to our investment coverage in 2012 and is currently owned in our Global strategy.

Once we own a company, we engage with that company to encourage it to acknowledge and address climate-related risks in ways that would increase shareholder value. In 2021, we met with John Deere management and asked it to be more transparent in reporting its carbon footprint, and to set emissions targets for itself so that we can track progress.[1]

3 | Risk Management

Climate Impacts on Harding Loevner's Business

At Harding Loevner, we use an enterprise risk framework to evaluate risks in six categories: investment, operational, legal and compliance, credit and counterparty, financial reporting, and reputational.

Physical climate-related risks are covered primarily in our "operational risk" rubric. The firm's primary ways of managing the physical risks to our business operations are through business-continuity and crisis-response plans. Our plans are designed to minimize disruption to operations in the event of a natural disaster, pandemic, or other significant adverse event.

The systems we have in place include a backup generator for all critical systems; emergency communications text-message system; redundant internet and telecommunications services; remote real-time mirroring or cloud-based implementation of operational systems; and full and secure remote access for all employees to the information systems needed to perform their duties. We routinely test these systems, and we also conduct regular exercises to practice our response to potential threats to our operations.

In the past, Harding Loevner has been affected by large storms such as Hurricanes Irene and Sandy. After those storms, we worked to improve our business-continuity planning and to create more redundancy in our critical systems. We put in place systems that allowed us to work remotely as necessary; during the COVID-19 pandemic, the firm was able to quickly transition to fully remote work. Our research and investment processes depend exclusively upon work that is captured digitally for sharing and recording. All investment decisions are made by individuals, never by committees, and therefore formal meetings have never been important in our decision-making processes. We believe that our ability to work remotely helps mitigate the physical risks to our operations, although those remote systems may also face increased physical risks over time.

As discussed in the Strategy section, we believe that Harding Loevner's transition risks are primarily those risks around changing client needs and preferences. We are in regular contact with our clients and those who advise them, such as institutional consultants and wealth managers, in our effort to understand their financial and non-financial goals so that we might best serve them. We pay attention to the marketplace and competitors' products to identify additional ways in which we could improve our products or associated services.

We are aware of the business risks posed by changing regulations and reporting requirements, both those that apply to our firm and those that apply to our clients. We monitor such changes with the help of our outside legal counsel and compliance consultants, as well as through industry groups and exchanges with our peers in the industry. The firm has built a robust data infrastructure to allow us to quickly respond to changes in those requirements or regulations.

Integration of Climate Impacts into Harding Loevner's Asset Management Practice

Accurate assessment of a company's climate-related risks and opportunities requires an understanding of the company's business model, as well as the characteristics of the industry in which it operates. Our analysts assess these risks and opportunities as part of the fundamental analysis that they perform on each company under investment consideration.

Harding Loevner seeks to invest in companies that have, and will continue to have, a competitive advantage in their industry, prospects for sustainable growth, financial strength, and capable management. We explicitly consider how climate change among other ESG factors might impact a company's performance against each of those criteria.

To support our analysts in their evaluation of these risks and opportunities, we have developed proprietary tools to guide their analysis. These include initial screening tools to aid in identifying exposure to severe climate risks that could lead to a company's removal from further consideration early in the investment process; 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. Climate-related factors included in the Scorecard include greenhouse gas emissions and other pollution, water and land use, waste streams, and biodiversity. A company's overall ESG score is an input for our valuation model that helps determine projected future cash flows.

Analysts incorporate climate-related risks into scenario analyses when assessing the durability of a business. The analyst's findings may also lead to them define climate-related performance indicators used to monitor the investment thesis.

Ongoing engagement with our portfolio companies also helps manage any identified risks. We regularly meet with management teams and seek to understand the potential impact of climate-related risks and opportunities on long-term returns. We encourage companies to adopt practices that foster sustainable growth for their businesses. We also encourage them to consider climate-related issues and opportunities in their planning and to disclose relevant data on their emissions.

Those engagements with our owned companies take place during our routine fundamental analysis of a company, in response to acute controversies, and in structured engagements throughout the year. Our engagement urges progress around issues such as climate change, energy transition, and water use. Engagements, in some cases, have included writing letters to companies highly exposed to climate-related risks to encourage them to adopt industry best practices and evaluate the feasibility of adopting Paris-Aligned emissions targets. We also engage with companies through proxy voting, as well as through collaborative engagements together with other investors.

We encourage companies to identify, disclose, and regularly report on issues that are material to their business; establish clear short- and long-term targets for improvement where appropriate; and demonstrate their progress toward those targets. We seek to promote high standards of corporate behavior and transparency. In 2021, we engaged with more than 50 companies on climate-change and energy-transition issues or broader environmental strategy. Though we prefer to promote sustainable business practices through engagement, if we lose confidence in a company's strategy, we will consider divesting from that holding.

Our portfolio managers manage risk at the portfolio level. Portfolio managers use ESG dashboards that display climate-related risks at the portfolio level, allowing each portfolio manager to evaluate such risks holistically.

We are always looking to gain knowledge and perspective about climate-related matters. As a signatory to the Principles for Responsible Investment (PRI), we have access to materials that help guide our consideration of climate change and energy-transition risks, as well as to its collaborative engagement portal. We are also members of the Institutional Investors Group on Climate Change (IIGCC) and the Partnership for Carbon Accounting Financials (PCAF), where we collaborate with our peers to develop tools and best practices for climate-related investing processes, as well as accounting and reporting standards for emissions. We are exploring membership in other organizations where we could potentially collaborate with and learn from other firms.

Risk Analysis

Over the past two years, Harding Loevner has conducted several focused reviews to ensure that our analysts are appropriately considering the risks presented by climate change. One review sought to identify companies in our investment coverage universe that face increased physical risk from climate change, both at the company level and specific to the country in which they operate.

More recently, we evaluated the potential impact of transition risks across the industries most likely to be affected by carbon transition. The review covered 22 GICS Industries across eight Sectors, a scope that was designed to include industries we believe have elevated energy-transition risk where the firm has exposure. Our goal was to evaluate the potential impact of policy, technology, market, legal, and reputational risks to our companies in the context of the changes required for their industry to successfully transition to net-zero carbon emissions. Our research team conducted the review using IEA net-zero scenarios where available and referenced work from the Transition Pathway Initiative (TPI), Climate Action 100+ (CA100+), the IIGCC, the Intergovernmental Panel on Climate Change (IPCC), and the Science Based Targets initiative (SBTi).

The review confirmed that the largest exposures to transition risks across our portfolios are within the following industries: Semiconductors & Semiconductor Equipment; Technology Hardware, Storage & Peripherals; Machinery; Life Sciences Tools & Services; Metals & Mining; Food & Beverage; Textiles; and Chemicals.

These reviews indicated that, generally, risks and opportunities have been appropriately considered by our analysts. They led to productive discussions with managements about climate-related issues highlighted in the reviews, and to changes to our internal ratings and evaluations of several companies.

4 | Metrics and Targets

Metrics

Today, our use of metrics to evaluate climate-related risks and opportunities centers on measurements of carbon and other greenhouse gas emissions. As an investment firm, we don't produce material emissions directly, but we may be regarded to "finance" the emissions of companies in which we invest.

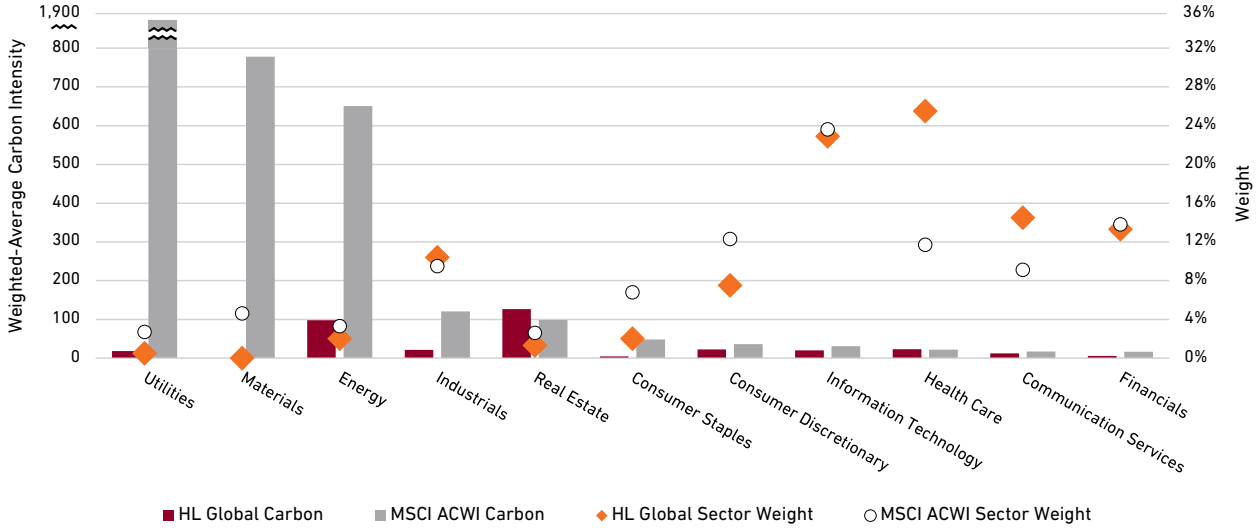
We currently compile company-level metrics for Scope 1 and Scope 2 emissions of the companies in which we invest or we consider for investment. This data allow us to calculate the total emissions that we finance, as well as the carbon footprint and weighted average carbon intensity of each of our holdings and portfolios.

Currently, our strategies have a significantly lower carbon footprint and carbon intensity than their respective benchmarks. Below are the emissions data for our three largest strategies, which together account for approximately 99% of the firm's assets under management.

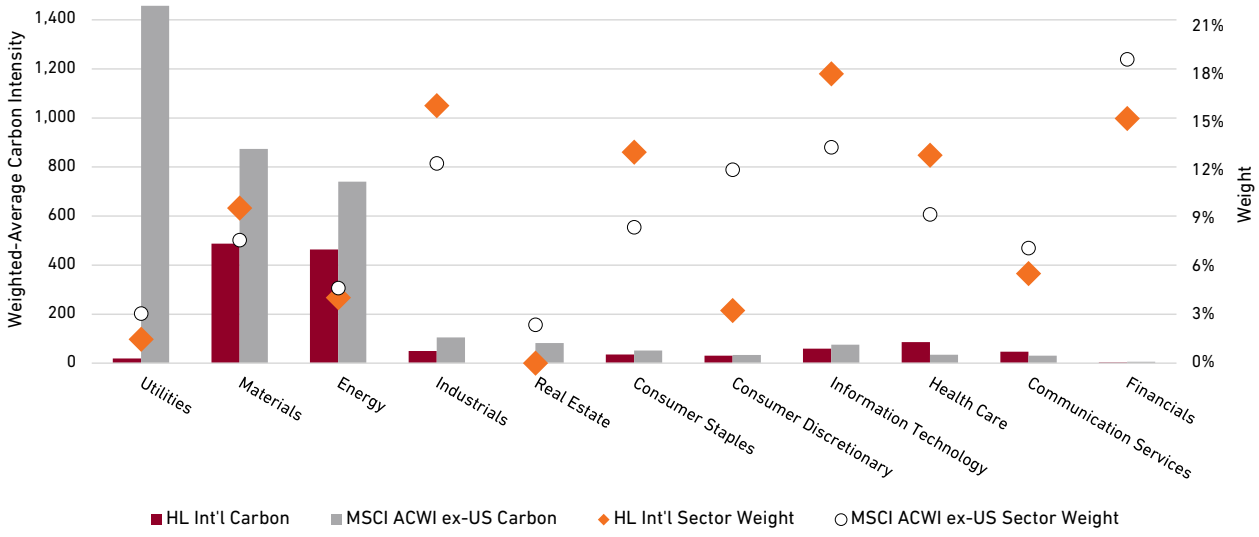
Summary of Carbon Emissions Metrics by Investment Strategy[2]

Strategy	Carbon Footprint[3] (Scope 1+2) Financed emissions/$M invested		Total Financed Carbon Emissions[4] (Scope 1+2) metric tons CO_2e		Weighted Average Carbon Intensity[5] (Scope 1+2) metric tons CO_2e/$M sales	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Global Equity						
Benchmark: MSCI ACWI Index	4.1	49.9	100,307	1,232,999	20.9	143.1
International Equity						
Benchmark: MSCI ACWI ex-US Index	37.7	85.8	1,694,555	3,859,883	105.5	187.9
Emerging Markets Equity						
Benchmark: MSCI EM Index	34.0	140.9	528,324	2,189,465	91.4	315.2

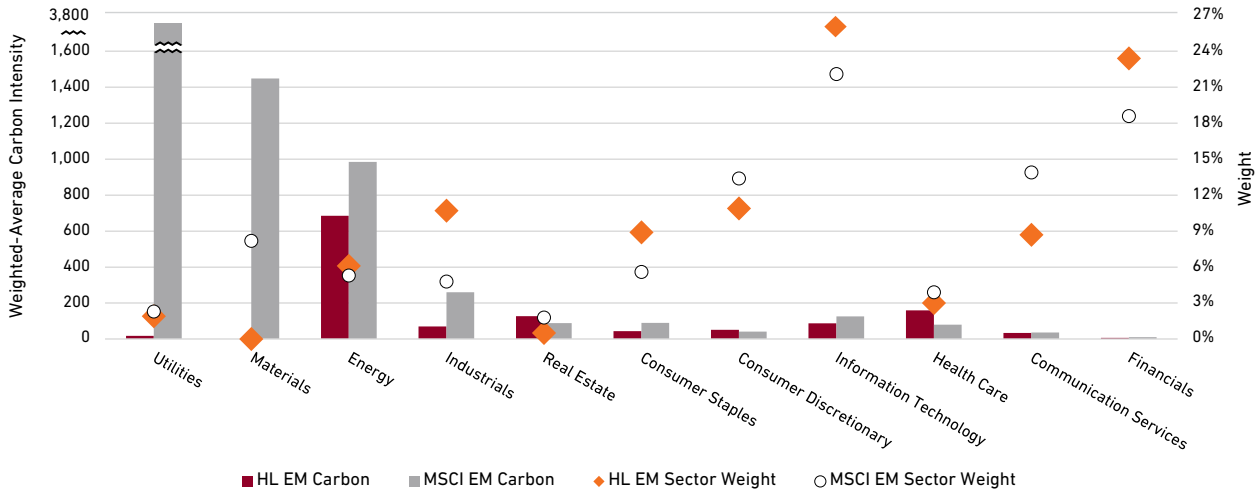
Carbon Intensity and Portfolio Weight by Sector: Global Equity



Carbon Intensity and Portfolio Weight by Sector: International Equity



Carbon Intensity and Portfolio Weight by Sector: Emerging Markets Equity



As we look at exposure by sector on the previous page, our portfolios tend to be underweight the most carbon-intensive sectors, and our portfolios' carbon intensity is low relative to the benchmark within most sectors.

Part of what makes the integration of metrics and emissions data into the investment process challenging is that the quality of company-level carbon reporting doesn't match that of financial reporting. The shortcomings of climate data include a lack of company reporting or incomplete reporting necessitating estimates by the data provider; use of estimates by companies in their reported data; a general paucity of verified and audited data; and higher incidents of company data revisions and restatements. These problems should lessen over time.

Currently, we use emissions data obtained from MSCI, which we attempt to validate independently. We hope that third-party data sources will continue to improve. As a supporter of TCFD and a member of the PCAF, we are actively engaged with our peers and industry groups to improve climate-related metrics and targets.

Beyond the metrics reported above, our analysts consider other climate-related data, including Scope 3 emissions data modeled by MSCI, climate value at risk data from MSCI, as well as data related to exposure to water-stressed regions and country-level climate risk from MSCI, the World Economic Forum, and the Notre Dame Global Adaptation Initiative.

In our own operations, for the year ended December 31, 2021, greenhouse gas emissions were as follows:

Harding Loevner Operational GHG Emissions Metrics

	Total Emissions (metric tons CO_2e)
Scope 1	0
Scope 2 (Location based)	91
Scope 3 (Business travel – airline only)	40

Our emissions data and carbon offset program have been verified by an independent third-party, Apex Companies LLC.[6]

Targets

We have not set emissions targets for our investment portfolios. We rely on our research process, as previously outlined, to evaluate the emissions-related risks and opportunities for companies individually. In general, this approach has led to our strategies having lower carbon footprint and carbon intensity than their respective benchmarks. Certain strategies, such as our Global Paris-Aligned Equity UCITS Fund and client-specific mandates, include climate-related eligibility screening.

Regarding Harding Loevner's own emissions, we currently measure and offset the firm's Scope 1 and Scope 2 emissions, as well as our Scope 3 emissions for airline travel. It is our goal to expand the bounds of our Scope 3 measurement and offsetting to include all business travel by the end of 2022, and to include emissions from commuting by the end of 2023.

Footnotes

1. Source: Harding Loevner analyst research. The information provided should not be considered a recommendation to purchase or sell a particular security. Non-performance based criteria was used to select the securities shown. The portfolios are actively managed therefore holdings shown may not be current.

2. The Harding Loevner's Strategies listed include all similarly situated strategies and covers 98.85% of assets under management as of December 31, 2021. International Equity includes International Equity, International Equity ADR and International Developed Markets Equity. Global Equity includes Global Equity, Global Equity ADR and Global Developed Markets Equity.

   Harding Loevner Strategies' weights are as of December 31, 2021. All issuer level emissions data is from MSCI ESG Climate Change Metrics, MSCI®. Data utilized is based on the most recently available data at the time the metrics were obtained from MSCI. To the extent reported by the underlying issuer, Scope 1 and Scope 2 emissions data is actual. If not reported, estimates may be utilized as determined by MSCI's proprietary estimation model. This data is subject to change due to underlying issuer data updates.

   WACI metrics based on 98.8% carbon emissions data availability for the Global Equity strategy vs. 99.3% for the MSCI ACWI index; 98.4% carbon emissions data availability for the International Equity strategy vs. 99.6% data availability for the MSCI ACWI ex-US index; and 97.1% carbon emissions data availability for the Emerging Markets Equity strategy vs. 99.9% data availability for the MSCI Emerging Markets Index.

3. Carbon Footprint is measured by (current value of investment/enterprise value including cash (EVIC)) * (Issuer's Scope 1 and 2 GHG emissions) / current portfolio value ($M)).

4. Total Financed Emissions is measured by (current value of investment/enterprise value including cash (EVIC) * Issuer's Scope 1 and Scope 2 GHG emissions)

5. Weighted Average Carbon Intensity (WACI) is measured by (current value of investment/current portfolio value) * (Issuer's Scope 1 and Scope 2 GHG emissions/issuer's Sales ($M)).

6. The verification opinion declaration is available upon request.

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