HARDING LOEVNER

HARDING LOEVNER FUNDS PLC

Sustainable Risk Policy and Statement on Principal Adverse Impacts

Objective and Scope

This Sustainable Risk Policy (**Policy**) provides an overview of the approach to sustainability risk taken by Harding Loevner Funds Plc (the **Company**). Under Article 6 of the Sustainable Finance Disclosure Regulation (**SFDR**), we are required to describe the manner in which sustainability risks are integrated into our investment decision-making processes.

Sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

It also provides an explanation of how, and the extent to which, the Company considers principal adverse impacts of investment decisions on sustainability factors as contemplated by SFDR. Under Article 4 of SFDR, we are required to publish and maintain a statement on our website explaining our approach to consideration the principal adverse impacts (**PAIs**) of investment decisions on sustainability factors. “Adverse impacts” are the negative effects that investment decisions might have on environmental, social or governance factors (**sustainability factors**).

The Company has delegated the day to day investment decision making for each Fund to Harding Loevner LP (**Harding Loevner**) and accordingly relies on Harding Loevner to consider how to integrate sustainability risks as appropriate into the investment process, and consider PAIs, for each Fund.

Our approach to sustainability is always evolving as we develop our policies and processes and, as such, this Policy will continue to evolve over time and will be reviewed regularly and updated as appropriate.

Our Approach to Sustainability Risk Integration

Consideration of material risks arising from environmental, social, and corporate governance (**ESG**) factors is intrinsic to Harding Loevner’s investment process.

At the outset of their work on a company, the responsible analyst completes a 14-point corporate governance checklist designed to ensure Harding Loevner eliminates companies with demonstrably poor governance from further consideration.

Harding Loevner includes into its equity security evaluation an explicit consideration of ESG risks. Competitive advantage, sustainable growth, financial strength, and quality management are the criteria by which Harding Loevner judges whether a company can sustain high returns on capital. ESG factors among other factors may pose risks to a company's ability to continue to meet one or more of these criteria. Such risks are therefore considered at each stage of the firm's investment process. For each company under coverage, the responsible analyst evaluates 38 distinct ESG risks, assigning a score to each to reflect the analyst's level of concern regarding its potential impact on the company's ability to grow profitably and sustainably. The scorecard provides a consistent framework for comparing companies' potential ESG risks across all industries and geographies. The potential ESG risks addressed in the scorecard include, for example, water consumption, waste generation and disposal, CO2 emissions, labor relations, treatment of stakeholders, and independence of board of directors. ESG risks of material concern will affect the analyst's long-term forecasts of a company's growth, margins, capital intensity, and competitive position. In addition, a company's overall ESG score is an input into our valuation model that influences the projected duration of future cash flow growth.

In constructing portfolios, Harding Loevner's portfolio managers select among the analyzed securities. The portfolio managers take into consideration the securities' predicted relative price performance, the timeliness and investment potential, the implications for portfolio risk of their selections, and the requirement to observe portfolio diversification guidelines. Portfolio managers also consider ESG factors among other factors affecting risk and expected returns when constructing portfolios from qualified investments.

Our Approach to Responsible Ownership

Proxy voting and company engagement are other ways that we attempt to manage and mitigate ESG risks. Harding Loevners' analysts engage regularly with company managements in the course of their fundamental research and monitoring of qualified companies. An analyst will formally engage with management to express concern or disagreement with a proposed or decided course of action, including issues related to shareholder welfare or other ESG concerns. If Harding Loevner believes that a company's weak corporate governance or harmful business practices result in unacceptably high investment risk, the usual course of action is disinvestment.

Harding Loevner supports collective efforts to promote Responsible Investment as a signatory of the PRI and the UK Stewardship Code. As a supplement to its own Code of Ethics, Harding Loevner adheres to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

Our Consideration of Principal Adverse Impacts

As summarized above, the Investment Manager clearly considers the potential material adverse impact of sustainability factors on its investment decisions. SFDR also requires that the Company explain whether it considers the principal adverse impacts of its investment decisions on sustainability factors.

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Harding Loevner believes only companies that can create substantial long-term value are capable of producing meaningful “shared value” for the benefit of larger society as well as for shareholders and other direct stakeholders. Therefore its investment process, by its design, eschews companies pursuing short-term profits at the expense of long-term growth and stability by engaging in unsustainable business practices, including practices with negative externalities with respect to environmental and societal factors, which place them at greater risk of adverse public policy or marketplace changes.

Regarding PAIs, as at the date of this Statement, the final Level 2 Regulatory Technical Standards of SFDR (the **RTS**), which include the detailed disclosure requirements, have not yet been adopted. The RTS require extensive reporting of detailed impact metrics on specific sustainability factors. The Investment Manager considers the ability to review and consider these factors is constrained by the lack of available data from underlying investee companies and the investment management industry generally is working towards finding solutions to this in advance of the RTS entering into force.

Accordingly the Investment Manager does not necessarily identify, prioritise and action all of the adverse impacts as contemplated by SFDR and as set out in the RTS, but the Investment Manager will continue to review its policy on the consideration of principal adverse impacts as the availability of relevant data continues to evolve.