The UK Stewardship Code

The Preface to the UK Stewardship Code states that the Code "aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities." Harding Loevner is committed to continual improvement of its investment approach with the objective of achieving optimal investment results for its clients. Harding Loevner recognizes the importance of good corporate governance to the success of the businesses in which it invests, and thence the necessity to incorporate governance assessment into the investment decision-making process and corporate engagement into the investment supervisory process. Harding Loevner embraces the UK Stewardship Code for providing a widely accepted format for outlining how governance issues are integrated into Harding Loevner's investment process.

The following reflects Harding Loevner's response to the seven Principles of the UK Stewardship Code.

Principle 1:

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Harding Loevner's stewardship statement is publicly available on Harding Loevner's website, www.hardingloevner.com. Harding Loevner's Co-Chief Investment Officer, Simon Hallett, will serve as the contact person for questions or comments regarding Harding Loevner's adherence to the UK Stewardship Code. Simon Hallett can be reached at shallett@hlmnet.com.

Our goal is to achieve above-market returns through investing in companies that meet our investment criteria. We require our analysts to deeply understand and monitor companies under coverage. We monitor each company's financial strength and competitive strategy as it relates to its competitive advantage given the structure of the industry in which it operates. We also monitor growth opportunities and the sustainability of profitable growth. Finally, we require quality management relating to capital allocation decisions as well as strong corporate governance and management of environmental and social risks. Engagement spans a wide range of issues. The most frequent issues relate to a company's board composition, remuneration policies for management, shareholder protections, financial reporting, and disclosures. Additionally, engagement can include issues related to high-level capital allocation policies. To aid in identifying the need for engagements, analysts are required to quantify their concerns over corporate governance and environmental and social governance concerns for each company under coverage.

Analysts may use sell-side research, such as data and analysis compiled by brokers, boutique consultants, and other industry researchers like MSCI ESG Research, to support their research efforts. However, we retain final responsibility for decisions. We also outsource some research into proxy voting, though retain ultimate responsibility. Voting can lead to specific requirements for our analysts to engage with company managements.

Principle 2:

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

As an investment adviser, Harding Loevner has a fiduciary duty to its clients. Accordingly, Harding Loevner has a robust policy on managing conflicts of interests in relation to the management of client assets. This policy is publicly disclosed in Harding Loevner's Form ADV Part 2, which is available on Harding Loevner's website, www.hardingloevner.com. The form addresses potential conflicts of interest associated with managing separate accounts as well as issues relating to employee conduct outlined in our Code of Ethics.

Unfair treatment of clients is a potential conflict that we address in our ADV. To address these potential conflicts, we do not permit clients' separately managed accounts to deviate materially from their respective strategy's model portfolio except as necessary to accommodate clients' investment guidelines, where applicable. We compensate portfolio managers in part based on their results in managing the model portfolios, but not directly on the results of the associated client accounts.

Each Access Person (defined as a supervised person who has access to nonpublic information regarding clients' purchase or sale of securities, who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic) is required to subscribe to a Code of Ethics. To avoid front running or other conflicts of interest with client accounts, or the appearance of front running or a conflict of interest with client accounts, no employee may engage in a personal securities transaction in a security that is in a Blackout Period. The Code permits an employee to buy or sell securities, including securities that we have purchased or may purchase for client accounts, so long as certain requirements are met. Employees must obtain prior permission to transact in most securities or to participate in any private placement. An employee may not transact in a security if we have recently bought or sold the security for a client account, or are considering doing so, without a waiver from the Compliance Committee. Additionally, employees complete a conflicts of interest questionnaire that identifies potential personal conflicts that employees may have with our firm.

Overall, Harding Loevner seeks to limit potential conflicts of interest by engaging solely in the business of providing investment advisory services. Our firm is majority owned by Affiliated Managers Group, but we have an operating agreement which allows our firm to independently manage our operations. A substantial minority of the firm's ownership interests is maintained by partners who are each in senior roles at Harding Loevner.

Harding Loevner's Compliance Committee, among other things, is charged with addressing any potential or actual conflicts of interest. The Compliance Committee is comprised of Harding Loevner's Chief Executive Officer, Co-Chief Investment Officers, Chief Compliance Officer, Chief Operating Officer, and General Counsel.

We have a robust process for identifying conflicts of interest, including regular reviews conducted by the Legal & Compliance Department of activities involving potential conflicts. Any issues identified by the Legal & Compliance Department during these reviews would be addressed with Harding Loevner's Chief Compliance Officer and Compliance Committee. Through education, we inform all employees of the potential for conflicts of interest and the process for escalating them to the Chief Compliance Officer and, if necessary, the Compliance Committee. Consistent with our fiduciary duties, we resolve conflicts in the best interest of our clients.

Our firm claims compliance with the CFA Institute's Asset Manager Code of Professional Conduct.

Principle 3:

Institutional investors should monitor investee companies.

Harding Loevner's investment process emphasizes in-depth fundamental research. The firm's analysts conduct extensive research into companies under research coverage, including all of Harding Loevner's investee companies and candidates for investment. Research activities include analyzing public disclosures, monitoring company news, interviewing company management, speaking with company competitors, making on-site visits to company facilities, attending industry conferences and trade shows, and reviewing specialized industry journals. Analysts' research insights, conclusions, and recommendations with respect to each company under coverage are summarized in a report that is disseminated to all members of the investment team. Portfolio managers have continuous access to analysts' entire body of work, including analysts' most up-to-date insights regarding their researched companies through our research database.

Efforts of monitoring culminate in analysts' investment thesis statements called "mileposts." Analysts select the three to six concrete issues that aim to capture the core of the investment thesis. These generally involve tracking of fundamental growth, sustainability of margins, and company-specific issues like regulation or competition. These mileposts are updated and disseminated to the investment group on a quarterly basis which provide a forum for a debate of each milepost's effectiveness. When mileposts are not achieved, the investment is subject to careful reconsideration by the analyst and portfolio managers.

We value the principles set out in the Corporate Governance Code. We systematically assess the corporate governance of all investee companies, reflecting the importance in our philosophy of "Quality Management," one of our four key investment criteria. We believe that without high-quality governance, management's ability to translate a company's market opportunities, strong competitive position, and investible resources into economic gain may not result in financial benefits to shareholders. Analysts also complete a separate corporate governance elimination checklist to further ensure we do not include companies with poor governance in our pool of companies eligible for investment. Additionally, our proxy advisory service alerts us to departures from the Corporate Governance Code when issuing proxy recommendations. We highlight these departures from the Corporate Governance Code in our company engagements.

Harding Loevner limits ownership of its holdings to 10% of the total shares outstanding for a single investment on a firm-wide basis because we do not wish to become an activist investor. However, if we become insiders through receipt of insider information, we have a firm policy that requires analysts to disclose such information to the Compliance Committee. We will place trading bans on securities where we believe we have been recipients of material non-public information.

Principle 4:

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Harding Loevner has established clear guidelines on interacting with owned companies as a means of protecting shareholder value. According to these guidelines, when management of a company owned in a client portfolio behaves in a manner that Harding Loevner believes to be detrimental to shareholders' interests, Harding Loevner will question management to understand its rationale for this behavior and to determine an appropriate response. For example, if a company proposes to shareholders a policy that Harding Loevner does not believe will benefit them, Harding Loevner on behalf of its clients will vote against such policy. In addition, Harding Loevner will explain to company management in writing the reasoning behind its dissent. If Harding Loevner believes that weak corporate governance at a particular company results in unacceptably high investment risk, its usual course of action is disinvestment.

Our research analysts engage with company management to discuss governance or shareholder welfare issues. This engagement is often the result of our voting against management on a particular proxy proposal. In the past, we have intervened when we were displeased about the election of two directors who also sat on a remuneration committee, when a directors' bonus appeared excessive, and when a company extends a proposal that would have diminished shareholders' rights. Additionally, past engagements have included an instance where management engaged in merger activity that hurt the long-term value creation for shareholders. We view retractions of negative proposals as positive outcomes.

Principle 5:

Institutional investors should be willing to act collectively where appropriate.

Harding Loevner prefers to research and engage with companies independently. However, Harding Loevner will consider acting collectively with other institutional investors if it believes such collective action would best serve its clients. An example of this would be working collectively with other investors to promote the increased disclosure and financial reporting necessary for unsponsored ADR creation. We would work with the depository depot bank and join the collective effort to engage with a company to facilitate the creation of unsponsored ADRs.

In undertaking any collective engagement with a company, Harding Loevner will adhere to all relevant regulations concerning acting in concert and use of non-public information.

Principle 6:

Institutional investors should have a clear policy on voting and disclosure of voting activities.

Harding Loevner has a clear policy of voting on all proposals with the aim of protecting and furthering the economic interests of its clients. In general, it seeks to use the influence on company managements that comes from its power to vote on its clients' behalf to promote high standards of corporate governance, including provision of adequate disclosure of company policies, activities and returns, and fair and equitable treatment of shareholders.

Each vote is ultimately cast on a proposal-by-proposal basis, taking into consideration Harding Loevner's contractual and fiduciary obligations to its clients, and all other facts and circumstances relevant to the proposal. In general, Harding Loevner will vote in favor of management proposals it believes will benefit shareholders. Alternatively, Harding Loevner will vote against management proposals that, in Harding Loevner's opinion, will reduce shareholder value.

We support company boards in aligning management with shareholder returns through the proper remuneration policies. In addition, we support board independence, including the composition of individual committees as well as the board overall. We require firms to maintain adequate disclosure, provide clear information in financial reporting, and offer regular access to shareholders. We inform management in advance of submitting voting instructions when we seek clarification for proposals in which our proxy adviser service issues a negative recommendation.

Harding Loevner uses the proxy adviser services of Glass Lewis. Glass Lewis has an indication of our investment style and provides recommendations on each proxy vote. Analyst take into account the information provided; however, analysts are not obligated to follow the recommendation of Glass Lewis. We track the instances in which we vote against management as well as the instances in which we vote inconsistently with Glass Lewis recommendations.

Harding Loevner publicly discloses the voting records for its US mutual funds and its Dublin-based UCITS funds. The links are provided: Dublin Proxy Voting Disclosure and US Mutual Funds Voting Disclosure. These disclosures provide complete voting records for every proxy including indications where we voted with and against management as well as with and against the recommendation of the proxy adviser. These disclosures are released on a yearly basis for the prior fiscal year. Separately managed accounts vote in-line with the voting instructions of the US mutual funds and the Dublin UCITS funds unless otherwise directed by the client. Separately managed account voting records are confidential and are made available only to the account holder.

Simon Hallett, Harding Loevner's Co-Chief Investment Officer, is responsible for overseeing the development and articulation of Harding Loevner's voting policy. A member of Harding Loevner's investment staff is responsible for the administration of proxy voting. The firm's Chief Compliance Officer is responsible for maintaining Harding Loevner's Proxy Voting Policies and Procedures and for ensuring the firm's adherence to them.

Harding Loevner does not have a firm-wide policy on securities lending. Harding Loevner respects the wishes of its clients with regards to lending activity.

Principle 7:

Institutional investors should report periodically on their stewardship and voting activities.

Harding Loevner reports on its stewardship activities episodically within its quarterly letters to clients. These letters are available on Harding Loevner's website, www.hardingloevner.com.

Harding Loevner provides quarterly and annual summaries of its proxy voting activities to clients upon request. Clients may also request to receive an explanation of the rationale behind any vote on their behalf contrary to management's recommendation. In addition, Harding Loevner's compliance with its Proxy Voting Policies and Procedures is reviewed as part of Harding Loevner's annual SSAE 16 attestation. The attestation report is available upon request.

Harding Loevner's stewardship statement is reviewed annually. Harding Loevner also reviews its stewardship statement when the FRC makes changes to the Code. This statement was last updated on November 11, 2016.