Mondrian Funds
PUBLIC LIMITED COMPANY

Global Green Bond Fund SFDR Article 10 disclosure

Article 9 SFDR Fund Taxonomy Disclosure

The Fund has sustainable investment, within the meaning of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR), as its objective and invests in an economic activity that contributes to an environmental objective.

Sustainability-related Investment Objective and Policy

The Fund aims to generate returns consistent with the preservation of principal and the generation of income and capital growth over the long term with a focus on investment in green bonds.

The Fund will be actively managed and will seek to achieve its investment objective primarily through investing in a broad range of fixed and/or floating rate debt securities (such as notes, bonds and treasury bills) of governments, their agencies, instrumentalities or political subdivisions and companies, which the Investment Manager classifies as green bonds.

The Fund is a global fund that will invest in issuers located throughout the world. The Fund may execute transactions denominated in any currency and has flexibility to trade in any market or instrument consistent with the investment policies of the Fund, to achieve its investment objective. Securities of issuers within a given country may be denominated in the currency of such country, the currency of another country or in a multinational currency such as the Euro.

The Investment Manager defines green bonds as any type of bond instrument where the proceeds will be applied to finance or refinance in part or in full new and/or existing projects that the Investment Manager believes are beneficial to the environment which include but would not be limited to climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation and pollution prevention and control. It is intended that in normal market conditions at least 75% of the Fund's Net Asset Value will be invested in green bonds, as defined by the Investment Manager and the balance will be invested in other forms of debt securities (such as notes, bonds and treasury bills) but cash may also be held on behalf of the Fund.

Benchmark

The investment performance of each of the Fund's share classes will be measured over a full market cycle of approximately five years by comparing the total return of each Share Class relative to the Bloomberg Barclays MSCI Green Bond Index (the Index) hedged or unhedged in Euro or US Dollar terms as the case may be. The Index is a multi-currency benchmark that includes local currency debt markets tracked by the Bloomberg Barclays Global Aggregate Index. The Index includes investment-grade and fixed-rate bonds only. The Index does not have a 1-year minimum time to maturity and holds bonds until final maturity.

The Index aligns with the objective of the Fund as it includes only fixed income securities in which the proceeds will be exclusively and formally applied to projects or activities that promote climate or other environmental sustainability purposes through their use of proceeds. The Index provider carries out independent evaluation of securities along four dimensions (use of proceeds, project evaluation, management of proceeds, and reporting) to determine index eligibility.

These eligibility criteria reflect the core elements of the Green Bond Principles, a set of principles published by a consortium of banks. To be classified as a green bond for Index inclusion purposes, a security's use of proceeds must first fall within at least one of six MSCI defined eligible environmental categories: alternative energy, energy efficiency, pollution prevention and control, sustainable water, green buildings, and climate adaptation. General-purpose bonds are eligible if 90% of the issuer's activities (as measured by revenues) fall within one or more of the eligible MSCI environmental categories. Further, an eligible green bond's prospectus or supporting documentation must clearly identify the specific criteria and process for determining eligible projects or investments, and a formal process to ringfence net proceeds must be disclosed in the bond prospectus or supporting documentation. At issuance, the issuer must either report on eligible projects or state its commitment to report within one year of issuance. Reporting will be monitored and bonds can be removed if the issuer fails to report at least annually, or if annual reporting indicates that over 10% of proceeds had been used for ineligible projects.

The Index differs from a broad market index as eligibility for inclusion is limited to securities classified as green bonds using clearly defined rules for determining inclusion. The Index aims to provide sufficient transparency on the use of proceeds for eligible securities and to present an investment universe that is generally regarded as green. The Index universe is evaluated and defined independently from issuers in order to add a layer of integrity beyond self-labelled designations that have not benefited from independent scrutiny thus avoiding green-washing. Both self-labelled green bonds and unlabelled bonds will be evaluated using the Index's criteria set out above for potential index inclusion.

More details regarding the Index are available on the index provider's website at https://www.msci.com.

The average credit quality of the investments in the Fund should not vary materially from that of the Index. The Index will not constrain the management of the Fund in any way and the Fund can invest in securities not included in the Index.

Environmental, Social and Governance (ESG) considerations

The Investment Manager carries out an analysis on each bond under consideration for the Fund to ensure it meets stringent internal criteria for investment by the Fund. The determination of what constitutes a green bond will be made independently by the Investment Manager as a result of its fundamental analysis (Green Bond Analysis). Green Bond Analysis considers the use of proceeds, green bond framework, impact assessment and reporting. This analysis begins with obtaining a clear understanding of how the proceeds from each green bond under consideration are directed. The quality and clarity of an issuer's green bond framework is considered and is expected to address all information on green bonds, with clear details on allowable use of proceeds, the process for project evaluation and selection, management of proceeds and reporting. Impact assessment determines what broad environmental categories the portfolio of an issuer is invested in and the tangible impact their portfolio is having on the environment, and the quality of reporting of an issuer is considered in terms of how it compares to peers in the region and sector.

To assist the Investment Manager in its determination, the Investment Manager may use one or more independent research services to provide information and evaluations, and the analysis is further supplemented by engagement with issuers. Security selection is limited to only those green bonds that have successfully undergone the Green Bond Analysis. The Investment Manager expects to evaluate the exposure of the Fund as a whole to green bond characteristics both prior to purchase for the Fund and on an ongoing basis thereafter.

At the Fund level, the percentage allocation to green bonds will be monitored. At the individual bond level, holdings will be monitored to ensure they retain their green characteristics including but not limited to analysis of use of proceeds, impact reporting and continuing eligibility for green bond criteria. This ongoing analysis will be applied consistently across holdings and recorded in a standardised format. The Investment Manager will review the green credentials of the specific bonds on an ongoing basis. Therefore, any evaluation of an issuer of a debt security with respect to its green credentials, including the information provided by an independent research service, is necessarily subjective and may or may not align with investors' own analyses, priorities and values.

The Investment Manager has the sole discretion to determine the scope, content and application of, and to modify, and interpret, the factors used to evaluate particular bonds.

ESG considerations are an important part of the Investment Manager's assessment of sovereign creditworthiness which feeds into the valuation process for each bond. The Investment Manager believes that good governance, the rule of law, unambiguous property rights and the control of corruption are fundamental pre-requisites for sustainable growth and development which support a government's ability to service its financial obligations.

The Investment Manager's corporate credit analysis explicitly incorporates a proprietary ESG rating. This contributes to the Investment Manager's corporate credit rating for each issuer which in turn directly impacts how much of that issuer's debt can be held by the Fund according to the Investment Manager's issuer diversification limits.

All corporate bonds in which the Fund may invest are given an ESG rating. The Investment Manager considers the environmental policies, the social impact of the company's activities, the governance of the company, and the strength of the active ESG policies the company is pursuing, and adjusts the internal rating accordingly. Engagement with issuers forms an integral part of the Investment Manager's assessment, raising factors identified in the ESG analysis directly with the company. Meeting with company management is an integral part of the Investment Manager's due diligence and ongoing monitoring process. This is an ideal forum for direct engagement on areas where the Investment Manager has identified specific concerns, including those related to ESG factors.

Integration of Sustainability Risks into investment decision making

The Investment Manager considers material ESG factors (including Sustainability Risks) as an integrated part of the investment process of the Fund. At the outset, Sustainability Risks are inherently considered in defining the investable universe of the Fund as the Investment Manager ensures that at least 75% of the bonds that the Fund invests in are green bonds using the Green Bond Analysis.

The Fund invests in bond markets that best compensate for inflation and sovereign credit risks, measured by a market's Prospective Real Yield (PRY), which is defined by the Investment Manager as the 10-year government bond yield less the Investment Manager's inflation forecast and sovereign credit adjustment. The Investment Manager's approach to integration of ESG considerations in the investment process is consistent for both sovereigns and corporate credits in the explicit incorporation of ESG factors into an issuer's proprietary credit rating.

Sovereign bonds

ESG risk factors form a critical and distinct facet of the Investment Manager's sovereign credit risk analysis. The Investment Manager's ESG assessments synthesize numerous quantitative measures produced by international research bodies into an overall ESG score for each sovereign. Sovereign credit analysis is an integral part of the Investment Manager's top-down investment process. This analysis includes ESG factors, which ultimately inform the sovereign credit adjustment. The weaker the overall credit assessment, the higher the sovereign credit adjustment, resulting in a greater PRY premium required to drive an allocation. Other things equal, a sovereign with elevated ESG risks will typically receive a lower allocation within the portfolio.

Corporate bonds

The Investment Manager's credit process necessitates that all corporate bond issuers undergo corporate credit analysis culminating in an internal credit rating before being placed on the Investment Manager's buy list. In determining the Investment Manager's corporate credit rating, all material factors that could influence credit quality are analysed as part of the research process. Each factor is assigned a credit rating which contributes to the overall company or issuer level credit rating. The Investment Manager believes that ESG concerns must be included in this process, otherwise the analysis overlooks a critical component of credit risk. Therefore an ESG rating is assigned as an integral part of the Investment Manager's corporate credit analysis. The forward looking sensitivity analysis component of the Investment Manager's credit research is used to quantify the impact of material credit risks on the credit rating over the investment time horizon. This therefore provides a method to quantify the impact of ESG risks over the short, medium and longer term.

The result of the Investment Manager's integrated approach is that, much like any other risk incorporated into a bond valuation, the presence of ESG based risks need not preclude investment, provided they are adequately reflected in the market price.

Investment Manager ESG Policies and Codes of conduct

The Investment Manager follows its Environmental, Social and Governance (ESG) Investment Policy, which can be found on the Investment Manager's website at https://www.mondrian.com/esg-at-mondrian/. The Investment Manager is a signatory of the Principles for Responsible Investment.