DEVON FUNDS.

Q3 2024

Quarterly Sustainability Report

Contents

Interest Piece: Modern Slavery Survey

Every year Devon sends out a survey to the NZX 50 companies to get a sense across the whole market on a topic that relates to our investment beliefs and purposes, emerging issues in the responsible investment space, and our values.

In the past we have surveyed the market on adopting the TCFD and whether ESG related issues are considered within KPI's for their CEOs. This year, our survey was on the topic of modern slavery.

Walk Free defines modern slavery as forced labour, forced or servile marriage, debt bondage, forced commercial sexual exploitation, human trafficking, slavery-like practices, and the sale and exploitation of children. It is ultimately the removal of a person's freedom, their freedom to accept or refuse a job, their freedom to leave one employer for another, or their freedom to decide if, when, and whom to marry, in order to exploit them for personal or financial gain. The Global Modern Slavery Index (2023) by Walk Free reports there were 50 million people living in modern slavery on any given day in 2021 and 8,000 individuals in New Zealand.

New Zealand does not currently have specific legislation designed to deal with modern slavery and the Modern Slavery Reporting Bill drafted by the previous Labour government has been sitting in limbo since the election. Devon was a signatory to an industry letter calling on the New Zealand Government to enact robust modern slavery legislation that includes due diligence requirements. Devon signed this letter alongside 11 other Fund Managers and Community Trusts and peak bodies IAST APAC and RIAA. Whilst this signals our support for robust legislation to the government, we also sought to engage with our investee companies, hence why our survey this year focussed on modern slavery. There is an increasingly used adage that companies who claim they don't have modern slavery in their supply chain, simply haven't looked hard enough.

We were pleased to receive the responses from 35 companies out of the 49 who were sent the survey, which on a percentage basis this represents ~71% of the NZX 50. One company was not sent the survey given it is managed by another listed company who received the survey. The results from the survey were generally positive. 26 companies provide public modern slavery reporting, with a further 4 companies having some other form of modern slavery reporting, albeit in a less formalised sense. Of those who responded no, the most common reason cited was the lack of regulatory impetus.

Across the 35 responders, 55% disclosed they have 'moderate' visibility over their supply chains, where they have identified major tier one suppliers and have partially or fully mapped the supply chains for key products and services. 35% responded they have 'developing' visibility over their supply chains, where they have identified major Tier One suppliers, with very limited or no visibility of their supply chains below the Tier One level. It was encouraging to see that even some of those who responded with 'developing' were still doing public modern slavery reporting and didn't use this as a hinderance for transparency.

Unfortunately, the government has decided to not advance modern slavery legislation with the Workplace Relations and Safety Minister saying the issue, while important, is not a priority. The Minister's rational was that slavery and trafficking are already crimes, as well as migrant exploitation, and therefore a new law isn't needed to fix it. However, several forms of modern slavery are reported within New Zealand, including forced labour, forced sexual exploitation of adults, commercial sexual exploitation of children, and forced marriage. Whilst slavery and trafficking are already a crime, this does nothing to address the systematic nature of modern slavery and provides no comfort to businesses that their approach to modern slavery is sufficient, let alone compliant with stricter regulations in other jurisdictions. The European Parliament for example has given its final approval to a new regulation enabling the EU to prohibit the sale, import, and export of goods made using forced labour. Ultimately robust modern slavery legislation is a necessity for the sustainable and resilient function of businesses in New Zealand.

- Alice Jones, ESG Analyst

Devon Sustainability Fund

Carbon Metrics as of 30.09.24

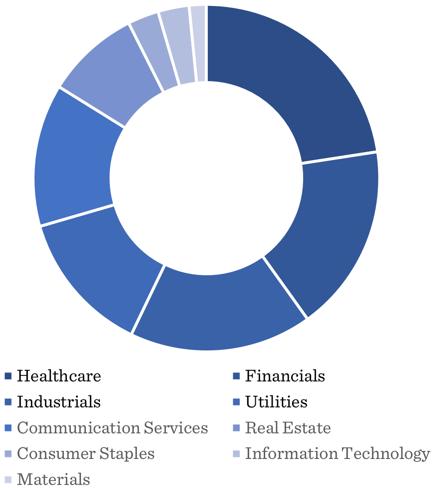
Overall Portfolio CO_2 Emissions and Intensity as of 30 June 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	31	945	82	74	100
Benchmark	91	55,378,495	186	116	99
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

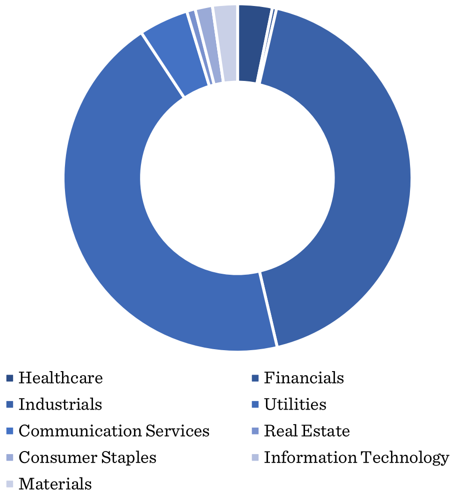
Sectors	Market value	Contribution to portfolio emissions
Healthcare	22.6%	3.2%
Financials	17.5%	0.4%
Industrials	17.1%	42.7%
Utilities	13.4%	44.3%
Communication Services	13.3%	4.6%
Real Estate	8.8%	0.8%
Consumer Staples	2.9%	1.6%
Information Technology	2.9%	0.0%
Materials	1.6%	2.3%

Source: MSCI | Benchmark: 50:50 composite of the S&P/NZX50 Portfolio Index and the S&P/ASX200G index hedged to NZD

Portfolio value by sector



Portfolio carbon emission by sector



TAHITO Te Tai o Rehua Fund

Carbon Metrics as of 30.09.24

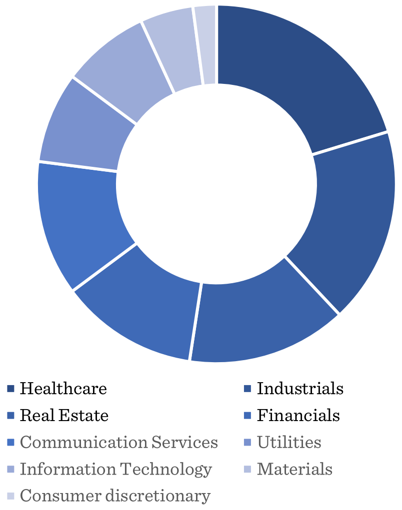
Overall Portfolio CO_2 Emissions and Intensity as of 30 June 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	11	179	23	32	97
Benchmark	80	47,074,456	183	110	100
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

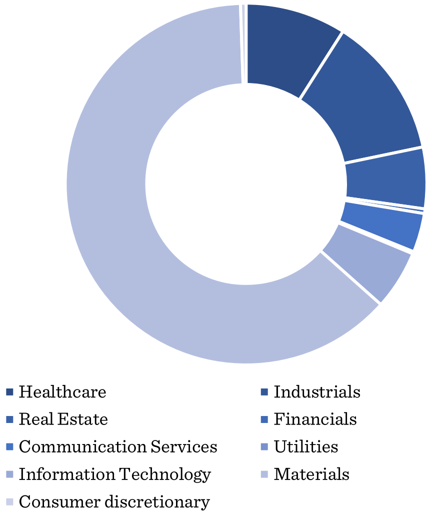
Sectors	Market value	Contribution to portfolio emissions
Healthcare	20.3%	9.0%
Industrials	17.7%	12.7%
Real Estate	14.4%	5.5%
Financials	12.4%	0.4%
Communication Services	12.2%	3.5%
Utilities	8.2%	0.2%
Information Technology	7.9%	5.3%
Materials	4.8%	62.9%
Consumer discretionary	2.1%	0.5%

Source: MSCI | Benchmark: 50% NZX 50 Portfolio index (including imputation credits) / 50% ASX Accumulation 200 index (in NZD).

Portfolio value by sector



Portfolio carbon emission by sector



Devon Global Sustainability Fund

Carbon Metrics as of 30.06.24*

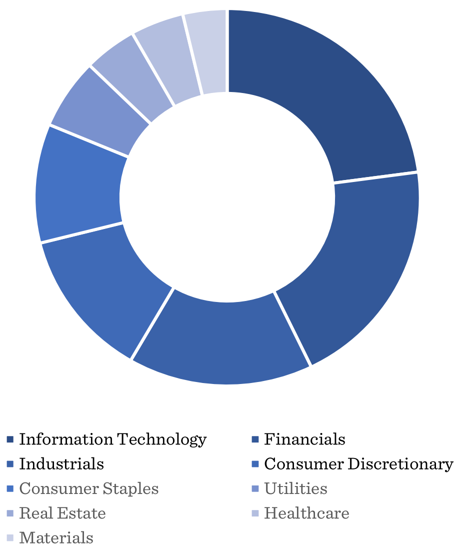
Overall Portfolio CO_2 Emissions and Intensity as of 30 June 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	14	28,646	59	68	100
Benchmark	48	101,432	147	120	100
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

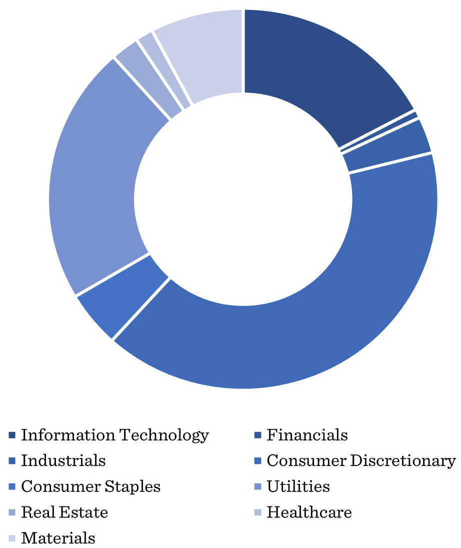
Sectors	Market value	Contribution to portfolio emissions
Information Technology	21.5%	11.6%
Financials	18.8%	0.5%
Industrials	14.6%	2.1%
Consumer Discretionary	12.0%	27.4%
Consumer Staples	9.6%	3.2%
Utilities	5.7%	14.8%
Real Estate	4.2%	1.6%
Healthcare	4.2%	1.0%
Materials	3.5%	5.2%

***Metrics are as of the previous reporting period due to availability of information from the underlying fund manager Wellington Management Group**

Portfolio value by sector



Portfolio carbon emission by sector



Source: MSCI | Benchmark: MSCI All Country World | Carbon Emissions: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. | Total Carbon Emissions: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. | Carbon Intensity: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash owned X Revenue) for each holding. | Weighted Average Carbon Intensity (WACI): Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % market value in the portfolio. Each holding's carbon intensity normalizes its total emissions by output and is calculated as the company's total emissions divided by its revenue. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Devon Global Impact Bond Fund

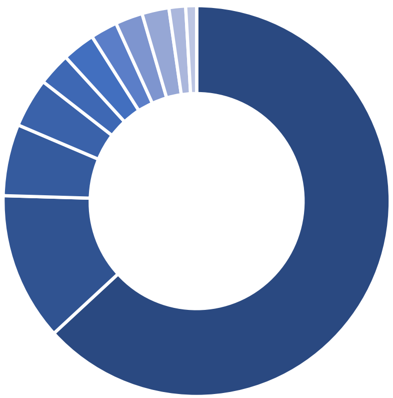
Carbon Metrics as of 30.06.24*

Overall Portfolio CO_2 Emissions and Intensity as of 30 June 2024

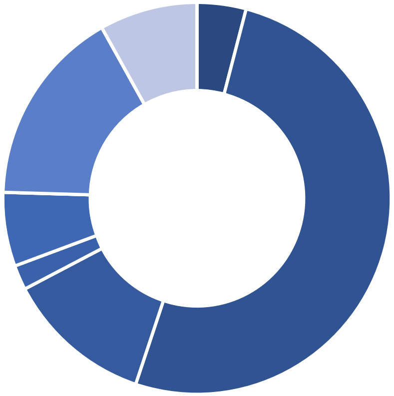
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	27	4,517	99	49	82
Benchmark	61	10,159	157	197	96
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Financials	13.9%	2.0%
Utilities	2.7%	25.0%
Communication Services	1.3%	6.0%
Consumer Discretionary	0.9%	1.0%
Industrials	0.6%	3.0%
Information Technology	0.6%	0.0%
Real Estate	0.5%	8.0%
Healthcare	0.5%	0.0%
Not Classified	0.5%	0.0%
Consumer Staples	0.3%	0.0%
Materials	0.2%	4.0%
Energy	0.0%	0.0%

Portfolio value by sector



Portfolio carbon emission by sector



***Metrics are as of the previous reporting period due to availability of information from the underlying fund manager Wellington Management Group**

Source: MSCI | Benchmark: Bloomberg Global Agg Hdg USD | Carbon Emissions: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. Total Carbon Emissions: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. Carbon Intensity: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash owned X Revenue) for each holding. Weighted Average Carbon Intensity: Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % Market value in the portfolio. Each holding's carbon intensity normalizes its total emissions by output, and is calculated as the company's total emissions divided by its revenue. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Artesian Green and Sustainable Bond Fund (NZD)

Carbon Metrics as of 30.09.24

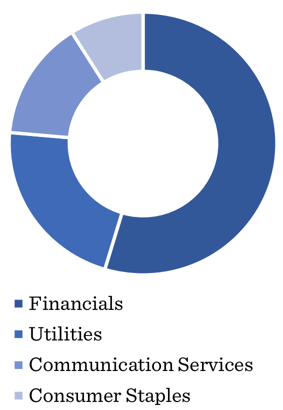
Overall Portfolio CO_2 Emissions and Intensity as of 30 September 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)*
Portfolio	26	339	46	73	43
Benchmark	59	28,863,500	73	41	11
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

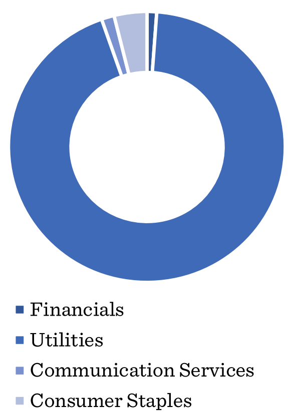
Corporate Bonds

Sectors	Market value	Contribution to portfolio emissions
Financials	41.5%	1.1%
Utilities	16.5%	91.2%
Communication Services	11.2%	1.5%
Consumer Staples	6.8%	3.7%

Portfolio value by sector



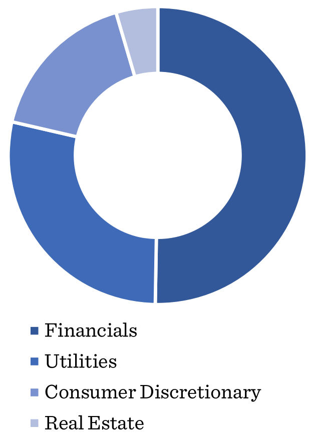
Portfolio carbon emission by sector



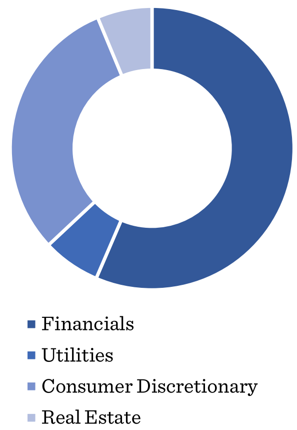
Green Bonds

Sectors	Market value	Contribution to portfolio emissions
Financials	50.3%	56.5%
Utilities	28.4%	6.6%
Consumer Discretionary	16.9%	30.7%
Real Estate	4.5%	6.3%

Portfolio value by sector



Portfolio carbon emission by sector



***Please note the limited data availability due to the nature of the asset class.**

Source: MSCI | Benchmark: Bloomberg AusBond Composite 0-5 Yr Index, 100% hedged to NZD.

Stewardship Devon Sustainability Fund

The Devon investment team has frequent engagements with companies held within the Devon Sustainability Fund. This quarter the highlight was with Mainfreight.

The Devon Sustainability Fund aims to generate capital growth over the long term by investing in those New Zealand and Australian listed companies that exhibit sustainable characteristics and which demonstrate credible strategies to improve their outcomes with respect to Environmental, Social and Governance (ESG) factors.

Engagement spotlight

We engaged with Mainfreight during the quarter on their decarbonisation strategy. Mainfreight does not currently have a net zero target, however, the company provided evidence that despite the fact they have not yet set a gross emissions reduction target, their priority is in enacting meaningful reduction efforts. Examples of this are below:

- Solar panel on roofs (2.6MW added in the past year bring them to a total of 8.4MW)
- Battery storage (4.5MWh added in the past year bring them to a total of 9.5MWh)
- Continued electrification of car fleet, currently at 44%
- Growing the number of electric trucks within fleet
- Switching their fork hoists from diesel and gas to electric, currently at 84%
- Building technology solutions that allow their customers to select the most efficient, carbon friendly mode to move freight
- Ensuring their Owner Drivers' vehicles are not older than 10 years
- Investigating the potential use of Hydrogen solutions in the future
- Setting targets in their annual reports to grow solar arrays and battery capacity

Transport and logistics is an emissions intensive industry and one that is especially difficult to abate. Mainfreight said the absence of a target has not impacted their efforts to date to decarbonize. Since 2018 they have roughly doubled the size of their business, while reducing their gross emissions by 12%. They remain focused on continuing their decarbonisation efforts going forward.

Mainfreight provides reasonable assurance that the company is working towards decarbonisation, despite no formal target. We can understand apprehension around target setting, particularly in hard to abate industries. Our view is that we have effective tools (like our decarbonisation modelling) to track the company's progress and ensure it is aligned with our expectations and that no further escalation is required at this stage.

Stewardship TAHITO Te Tai o Rehua Fund

Putting Environment and People before Profit: The TAHITO Te Tai o Rehua Fund is a values-led ethical and sustainable Australasian equities fund for investors who want competitive market returns but equally would like to see their capital applied to a high ethical standard and in investments that are making a positive social and environmental impact.

Engagement spotlight

TAHITO has recently removed Wisetech Global from the portfolio for ethical reasons.

The ethical implications regarding the re-emerging allegations of inappropriate behaviour and payments by CEO & founder Richard White have been determined to be sufficiently serious for the Investment Committee to warrant selling the TAHITO Te Tai o Rehua fund position. White's 38% stake in the company is already at odds with the value of collective ownership but the Committee had waived this soft exclusion because of the company's positive impact on the shipping industry.

The controversy surrounding WiseTech Global's CEO has recently intensified. Below are the key points:

- Allegations: Richard White, the billionaire CEO and founder of WiseTech Global, is facing allegations of inappropriate behaviour made by a former sexual partner. These allegations date back to late 2020 and reportedly led to a multi-million-dollar settlement.
- Media Reports: Recent media reports have brought these allegations back into the spotlight, causing significant concern among investors and prompting the WiseTech board to re-examine the matter.
- Impact on Company: The controversy has had a notable impact on WiseTech's stock, which saw a significant drop following the renewed scrutiny. The board is actively seeking further information and taking external advice to address the situation.

This situation is still developing, and WiseTech's board is working to manage the potential impacts on the company.

Stewardship Devon Global Sustainability Fund

During the second quarter of 2024, Wellington Management Group (the underlying fund manager of our Global Sustainability Fund) had 26 engagements with names held in the portfolio on a broad range of ESG topics.

This Fund aims to generate long term total returns by investing in a selective portfolio of global companies that generate high return on capital relative to their peers, and whose management teams and boards display exemplary stewardship to sustain those returns over time.

Engagement spotlight

Wellington Management engaged with the global hotel operator, Marriott International. The company manages and franchises nearly 8,900 hotel properties globally across 141 countries. Wellington were encouraged to study the industry more closely by an analyst who highlighted both the long-duration growth of personal travel (at two times GDP) and the strong returns these now capital-light businesses generate. In the case of Marriott, the company enjoys 30% unlevered returns and almost 40% free cash flow margins. Marriott partners with third parties to develop new properties, which allows them to grow new rooms 5-6% per year with limited capital investment. While they are the largest hotel operator globally, they still have only a 3.5% share of total rooms, which should allow them to grow new rooms for a long period of time to come. Wellington see the opportunity for the business to generate low teens value creation with 3-4% revenue per adjusted room night growth, coupled with 5-6% new rooms and a healthy mix of both buybacks and dividends.

What separates Marriott from their peers for Wellington is their careful consideration of key stakeholders: employees, property owners and customers. JW Marriott, the company's founder, instilled the belief that management should, "Take care of the associates and they will take care of the customers." This culture is pervasive across Marriott today and they enjoy employee turnover at roughly 1/3 the industry average. The company also leads peers in their emissions goals and transparency with SBTi-validated carbon reduction targets and similarly ambitious goals to reduce water consumption and waste-to-landfill. Wellington's purchase of Marriott was the main driver of the increase in weight average carbon intensity (WACI) this quarter. They believe that MSCI's calculation of Marriott's WACI is fundamentally flawed as they charge Marriott for the full scope 1 and 2 emissions of owned properties and properties that they manage on behalf of third parties. Owned properties make up less than 1% of total Marriott properties. For managed properties, MSCI only counts "net" revenue which is a small percentage of the total generated for a given property (the remainder being recognized by the third-party property owner). So, Marriott gets charged with the full emissions against a small fraction of the revenues leading to what they believe is an inappropriately high WACI.

Stewardship Devon Global Impact Bond Fund

Wellington Management Group (the underlying fund manager of our Global Impact Bond Fund) see a meaningful opportunity to supplement our knowledge of companies, and to enhance our influence on their long-term success, through engagement.

This Fund aims to deliver long-term total returns in excess of the index by investing in a diverse portfolio of global bonds. The Fund seeks to invest primarily in debt issued by companies that are addressing the world's environmental and social problems.

Engagement spotlight

Wellington Funds Management ("Wellington") releases an annual Impact Report for the Global Impact Bond Fund. In our quarterly updates, we provide an engagement highlight from this report. This highlight is a positive social engagement Wellington had during 2023.

Wellington engaged with a health care provider in early 2023, just after it had suffered a major cybersecurity attack toward the end of 2022. The issuer is a not-for-profit health system that includes 170 hospitals across 24 US states. The cyberattack forced several of its facilities to completely shut down their electronic health record (EHR) systems, impacting a large swathe of operations.

The shutdown lasted approximately one month, during which the affected hospitals and other clinical locations had to shift to paper processes before gradually bringing systems back online location by location. Since the issuer had been planning to issue debt around the time of the cyber incident, they had an opportunity to engage on the details of their response and preparedness. They involved Wellington's Chief Risk Officer in their dialogue to help them assess the prudency of the issuer's actions, speed to resolution, and overall approach. Wellington also discussed the issuer's plan to move forward and the early financial implications of the breach. All of this gave them the confidence to continue lending to the issuer. They followed up throughout the year as the full financial impact of the attack became clear during the EHR recovery. While the cost was significant, the issuer has since recouped most of the funds from its insurers. Wellington remain an investor and with high conviction in their impact thesis and in the issuer's material ESG characteristics.

Stewardship Artesian Green and Sustainable Bond Fund (NZD)

Artesian seeks to actively engage with companies and issuers in exploring ways to align their business strategy, and operating policies with best practice international standards and ESG frameworks, as well as engaging within the wider industry.

The Artesian Green & Sustainable Bond Fund (NZD) is managed by Artesian Corporate Bond Pty Ltd ("Artesian"). The strategy for the Fund is to invest in a diversified portfolio of Australian and international bonds labelled as Green, Social or Sustainable Bonds that have been screened in accordance with Artesian's screening processes.

Engagement spotlight

Artesian's engagement program included meetings with NBN Co. In the first meeting the notion of NBN issuing a social bond was discussed – based on the social impacts arising from the rollout of the NBN network providing broadband access to regional and remote Australia.

There are substantial social benefits from increasing access to high-speed broadband in remote and regional communities, including employment outcomes, and increased access to online education and health services. In this context, Artesian noted that there are currently no AUD social bonds on issue and, as such, there is brand equity through leadership in issuing the first social bond.

The first meeting convened at NBN's offices. The meeting focused on possible appropriate metrics for issuance of a social bond. Artesian expressed concerns that metrics were largely based on a survey of over 1,500 adult NBN users, to understand the broader social impact of the NBN network and that these results did not provide an effective basis for social metrics. Following the meeting, Artesian provided a file-note which suggested appropriate, quantifiable, non-survey generated metrics - to provide potential investors with comfort through quantification of the social impact of the NBN network rollout.

Discussion of the file note formed the basis of a further meeting. In that meeting, Fiona Trigona, NBN - Executive General Manager, Group Treasurer, noted that with other significant issues before the Board, including the search for a new CEO, board consideration of a social bond issue had slowed. Nevertheless, NBN highlighted it had created a small team to consider how best to create fit-for-purpose criteria and KPIs, based on Artesian's feedback, using reliable data sets that can withstand market scrutiny. NBN offered to share the social impact KPI's that would be based on the data.

In the interests of a deeper, more liquid labelled bond market and the quantified positive impacts these enable and document, Artesian continues to engage with NBN and other issuers and potential issuers, regarding issuance of labelled bonds. They will continue to engage with NBN regarding the development of social metrics that credibly measure the social impact of its network rollout.