DEVON FUNDS.

Q4 2024

Quarterly Sustainability Report

Contents

Interest Piece: Te Tiriti o Waitangi Survey

In 2024, we looked at ways we could consider Te Tiriti o Waitangi in the context of Devon's stewardship activities. To do this, we chose to engage with our five biggest New Zealand holdings across the firm.

Our questions related to four principles: protection, participation, partnership, and procurement. The purpose of these engagements was to deepen our own understanding and knowledge and look at how we can understand these principles across the broader set of companies that we own. Below is an overview of the responses we received from companies. Company names have been omitted.

Question 1

When thinking about your land-based assets, how do you actively ensure you have sufficient protections in place that relate to the environment, and areas of cultural, archaeological, and/or historical significance?

Whilst the need for sufficient protections that relate to the environment, areas of cultural, archaeological, and/or historical significance are intuitive, the importance of this can often only come to the fore when adequate protections have not been put in place. It was evident that there is a regulatory component to the approaches companies use to ensure sufficient protections across their land-based assets, however there is also an emphasis on long term partnership and relationship building. Most companies have internal teams that cover community engagement, cultural monitoring, and reference groups. Positively there is evidence of cultural competency training across all levels of business. Some companies specifically mentioned regular engagement with iwi partners and tangata whenua. The best example of this was a company who meets with iwi partners on at least a 6-weekly basis where they can engage on anything of interest.

Question 2

Do you have any initiatives in place which improve access to education and training pathways for Māori?

How do you measure and ensure Māori have parity in pay and employment outcomes?

The Ministry of Māori Development estimates by 2040 New Zealand will be home to six million people, 20 percent of whom will identify as Māori. New Zealand's general population will continue to age, whilst the Māori population will be disproportionately young. This means Māori will make up a significant and continuously increasing proportion of our workforce in 2040. This demonstrates the need for positive initiatives around education and training in the workplace, and active consideration of parity in pay outcomes.

Across all businesses there were specific internships, scholarships, school gateway programs, training opportunities, and acceleration programmes. There were ambitions and specific targets to increase Māori and Pasifika representation within businesses, both across the workforce and in management positions. The most interesting initiative mentioned by a company was a first offer of employment to local iwi where specific projects are taking place before going to the open market. Only one company appeared to have specific pay parity ambitions in place for Māori, which was to close their ethnicity gap by 10% by FY26, whilst others that addressed the question spoke to increasing diversity in the workforce through initiatives related to education and training. One company said that it is optional for staff to disclose their ethnicity and therefore they don't have the data available to measure parity.

Question 3

Could you please describe the ways in which you form partnerships with iwi and/or Māori businesses, and the ways in which this influences your business?

Approaches differ between companies, which would be expected given the obvious ineffectiveness of a 'one size fits all' approach. The key consideration around partnership building with iwi and Māori businesses is around authenticity, and long-term relationship building. For some, partnerships with iwi and Māori businesses are strategically embedded with some external partnerships to help achieve this outcome. Employment initiatives and other initiatives during project developments are also ways partnerships are embedded within the business. For others, this was less of a strategic priority and more adjacent to regular business functioning. For example, a foundation was set up to support local communities. In a more formal sense, relationship or partnership agreements are also cited across a few of the companies.

Question 4

Do you track how much you spend on Māori owned businesses?

Introduced in 2020, the Positive Procurement Policy requires Government agencies to look beyond price to the wider social value of engaging Māori businesses. It combines elements of social procurement, supplier diversity, indigenous procurement, and wellbeing measures. The idea of focussing on increased supplier diversity and promoting regional economic development, with a focus on Māori businesses, has benefits for our large, listed companies as well as our government agencies.

From our survey we found most of the companies surveyed do not currently track spend on Māori owned businesses, however all flagged that this was an area they plan to explore. One is aiming to set targets during the FY26 financial year, and one has taken the first step to undertake analysis on suppliers. One company does currently track spend on Māori owned businesses which covered their consultants, events management, catering services, and infrastructure work.

Conclusion

Overall, we were encouraged by the answers provided by each company. Across all questions it is evident that there is active work taking place to continually improve practices. This was most evident in the question related to procurement, which was one of the areas where strategies and approaches were least developed. Whilst the majority of the companies didn't currently track their spend on Māori owned businesses, this was something they had plans to explore and implement.

Few companies had specific targets related to pay outcomes. We therefore see an opportunity for improvement in 'parity in pay' targets, irrespective of whether these are internal or publicly disclosed. Pay gap transparency, in general, is lacking in New Zealand. 259 recommendations were made by UN member states to improve New Zealand's human rights, one of which was the recommendation to introduce pay transparency legislation which would require employers to openly share the pay or pay ranges of different jobs. As part of its recommendations the Human Rights Commission argued ethnicity should be included in pay transparency requirements. However, this has not been implemented on a mandatory basis to date.

Pay gap calculations are imperfect representations of pay differences. Pay gap calculations are not measurements of whether men and women carrying out the same work are being paid different rates. The median ethnicity pay gap is the difference between the median salary of Māori employees and the median salary of employees of other ethnicities. Using the median aims to reduce the impact of extreme outliers however it is important to remember it does not represent the whole picture of pay in a company. A median pay gap can be evidence of discrimination, but it could also reflect that employees of one ethnicity predominantly work in lower-paying roles. This is where the importance of upskilling, education, and training comes in.

For most companies, there was evidence of internal work being done to understand Māori and Pacific recruitment, progression, and salary trends. There is also evidence of targets related to having more Māori and Pacific people leaders. While only one company provided their ethnicity pay gap data, importantly the emphasis in answers related to this question was on upskilling, education, and training. Practices and strategies that continue to evolve, internal targets and initiatives, and frequent engagement with iwi partners and tangata whenua is what we would expect to see from some of New Zealand's biggest and most successful businesses, and those which are our biggest holdings across our funds. We see there being an opportunity for improvement on parity of pay measures and targets.

- Alice Jones, ESG Analyst

Devon Sustainability Fund

Carbon Metrics as of 31.12.24

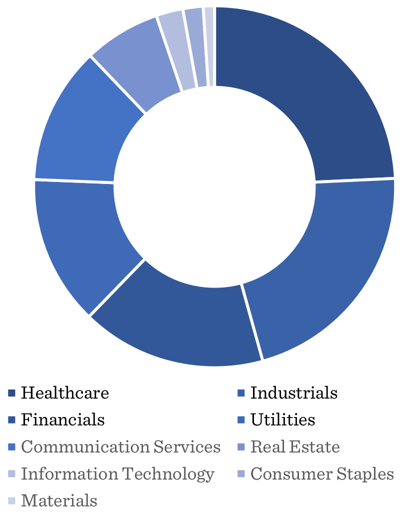
Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	28	786	71	66	100
Benchmark	95	45,604,139	168	114	100
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

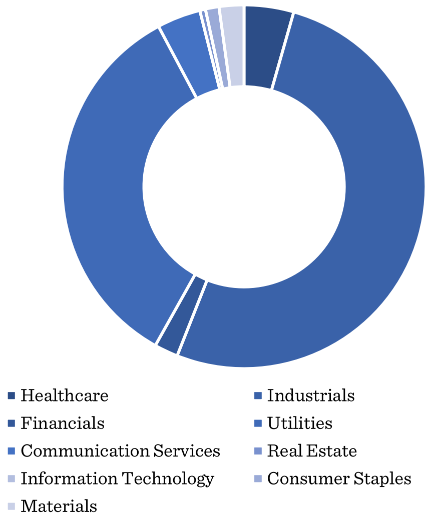
Sectors	Market value	Contribution to portfolio emissions
Healthcare	24.1%	4.4%
Industrials	21.3%	51.6%
Financials	16.4%	2.1%
Utilities	13.3%	34.1%
Communication Services	12.2%	3.9%
Real Estate	6.8%	0.5%
Information Technology	2.4%	0.0%
Consumer Staples	1.8%	1.2%
Materials	1.0%	2.2%

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 31.12.24

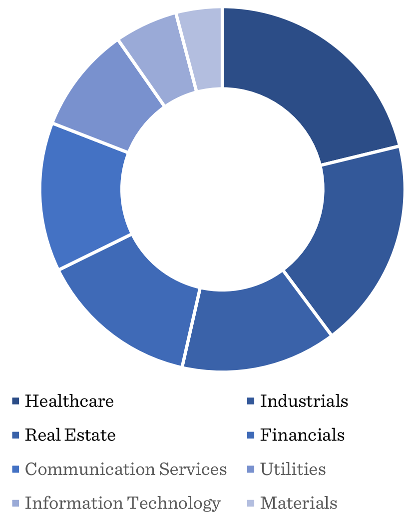
Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	9	129	17	29	97
Benchmark	95	45,604,139	168	114	100
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

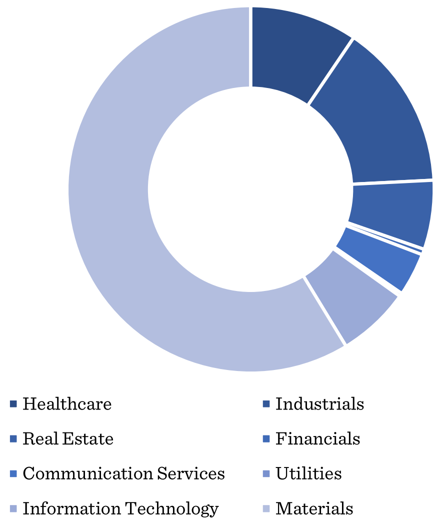
Sectors	Market value	Contribution to portfolio emissions
Healthcare	21.2%	9.5%
Industrials	18.6%	14.7%
Real Estate	13.8%	6.1%
Financials	14.2%	0.5%
Communication Services	13.2%	3.8%
Utilities	9.4%	0.3%
Information Technology	5.6%	6.4%
Materials	4.1%	58.7%

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 30.09.24*

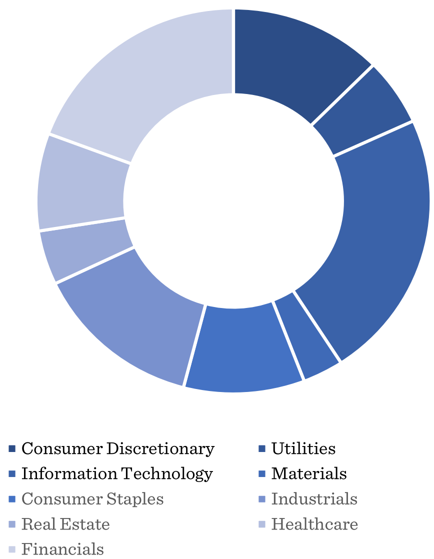
Overall Portfolio CO_2 Emissions and Intensity as of 30 September 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	15	38,543	60	74	99
Benchmark	47	124,508	145	125	100
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

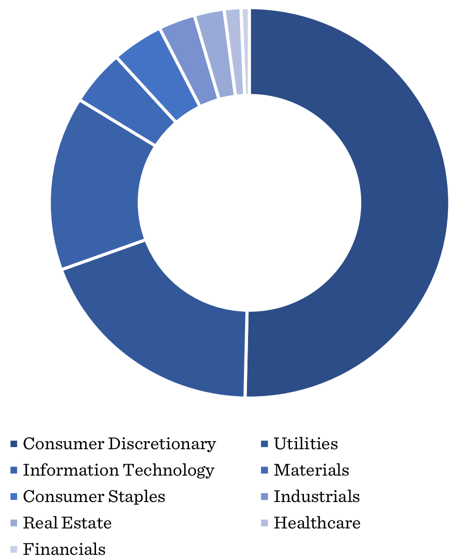
Sectors	Market value	Contribution to portfolio emissions
Consumer Discretionary	12.4%	37.4%
Utilities	5.6%	14.2%
Information Technology	22.4%	10.7%
Materials	3.3%	3.4%
Consumer Staples	9.8%	3.1%
Industrials	13.7%	2.2%
Real Estate	4.5%	1.8%
Healthcare	8.1%	1.0%
Financials	19.1%	0.5%

***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 30.09.24*

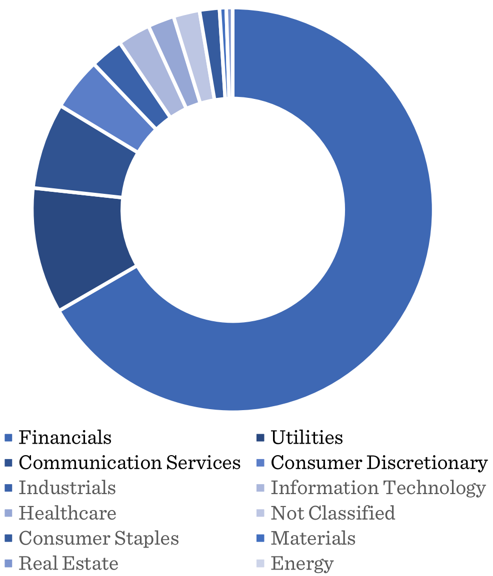
Overall Portfolio CO_2 Emissions and Intensity as of 30 September 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	37	3,729	22	76	81
Benchmark	195	9,903	59	150	97
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

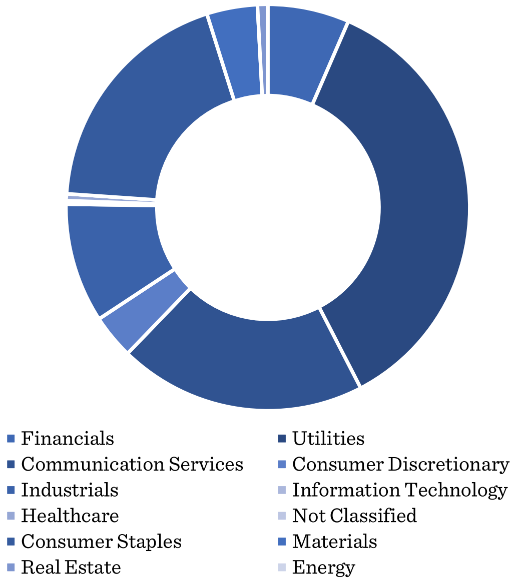
Sectors	Market value	Contribution to portfolio emissions
Financials	12.6%	2.4%
Utilities	1.9%	13.2%
Communication Services	1.3%	7.3%
Consumer Discretionary	0.8%	1.3%
Industrials	0.5%	3.5%
Information Technology	0.5%	0.1%
Healthcare	0.4%	0.2%
Not Classified	0.4%	0.0%
Consumer Staples	0.3%	7.0%
Materials	0.1%	1.5%
Real Estate	0.1%	0.3%
Energy	0.0%	0.0%

***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: 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 31.12.24

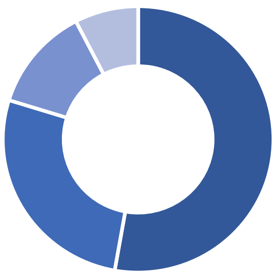
Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2024

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)*
Portfolio	115	1,656	149	77	43
Benchmark	65	29,499	69	41	11
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

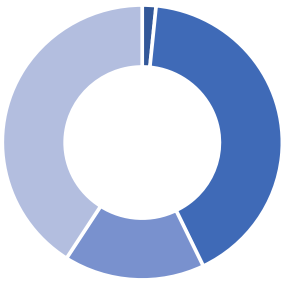
Corporate Bonds

Sectors	Market value	Contribution to portfolio emissions
Utilities	41.5%	1.1%
Consumer Discretionary	21.2%	28.6%
Communication Services	9.9%	11.3%
Consumer Staples	6.0%	28.4%

Portfolio value by sector



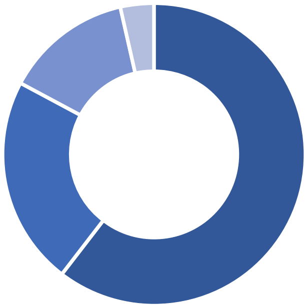
Portfolio carbon emission by sector



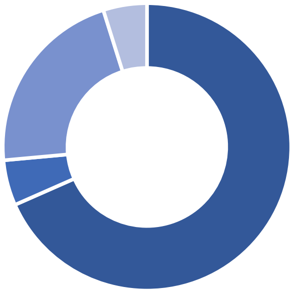
Green Bonds

Sectors	Market value	Contribution to portfolio emissions
Financials	60.4%	68.4%
Utilities	22.4%	5.1%
Consumer Discretionary	13.6%	21.6%
Real Estate	3.6%	4.9%

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 part of the Climate Action 100+ initiative.

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

Devon is a contributing investor to the Climate Action 100+ collaborative initiative and is part of the group working with Woolworths (WOW.ASX). During the quarter the investors involved in the initiative convened to meet with Bel Quince, the General Manager Sustainability for Planet at Woolworths.

The group discussed with the company the updated baseline in their latest sustainability report. This was part of Woolworth's requirement to have their targets verified by Science Based Targets Initiative (SBTi). Bel emphasised there are a lot of dependencies for their targets, but they are focused on materiality and where they can make the most change.

We also discussed Woolworths engagement on climate lobbying and advocacy. Bel explained that they actively look for new forums they can engage with. They are part of the Climate Leaders Coalition which has been beneficial to date for knowledge sharing and means they receive pro bono support from the big four consultancy firms. They are currently working on heavy haul transport. Woolworths acknowledged their poorer scoring against CA100+ framework regarding disclosure on policy engagement and indicated they could improve this in FY25.

Regarding Woolworths climate and remuneration strategy, Bel shared that they have ESG related components, for example 20% of their balanced scorecard for commercial teams is linked to reputation, which is measured through the 'RepRisk' score. There are also KPI's linked to food waste and climate for the broader commercial team. She mentioned that their balanced scorecard will evolve constantly and KPIs are reviewed yearly so may expand to other items.

Finally, given the link between climate and nature the group discussed the recent shareholder resolutions put forward at the AGM with regard to salmon farming. Regardless of the outcomes from the shareholder resolutions, Woolworths has said they will provide reporting on the impacts of farmed seafood in FY25.

In summary, the key outcomes from the engagement were that Woolworths will be improving disclosure on climate lobbying and farmed seafood reporting.

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.

MINDFUL MONEY AWARDS
20 23
Best Ethical Retail Investment Provider 2023

Engagement spotlight

Tahito's recent analysis of Xero Limited revealed a company making meaningful strides in sustainability and social responsibility. The company has achieved carbon neutrality certification, set science-based climate targets, and demonstrates solid governance practices. However when viewed through TAHITO's indigenous ethical investment framework, significant opportunities exist for Xero to deepen their commitment to collective wellbeing and regenerative practices. TAHITO provides these recommednations to Xero as part of its stewardship efforts.

While the company shows positive intent, there is room to strengthen indigenous partnerships, develop more comprehensive circular economy frameworks, and enhance their approach to environmental guardianship in alignment with Te Ao Māori principles. Such evolution would position Xero as a leader in truly sustainable business practices that serve the collective interests of all stakeholders while honouring indigenous wisdom and values.

Strong Alignment Areas with TAHITO Values and Principles:

- Whakatau (consensual): Clear governance framework and ethical standards
- Humarie (harmony): Demonstrated adaptability and innovation in digital transformation
- Kawa (cyclical): Long-term focus on sustainability and business resilience

Development Opportunities:

- Whanaungatanga (relational): Could strengthen indigenous partnerships and community connections
- Mahitahi (co-operational): Need for enhanced collaboration on environmental solutions
- Utu (reciprocal): Opportunity to develop more robust environmental regeneration initiatives
- Honotahi (complementary): Room to improve integration of sustainability across operations

Recommendations

1. Develop more ambitious environmental targets aligned with indigenous principles of guardianship
2. Strengthen indigenous engagement through structured partnerships and procurement policies
3. Enhance transparency in community investment reporting and impact measurement
4. Establish comprehensive circular economy and biodiversity frameworks
5. Deepen integration of Te Ao Māori principles in governance and decision-making

Stewardship Devon Global Sustainability Fund

During the second quarter of 2024, Wellington Management Group (the underlying fund manager of our Global Sustainability Fund) had 35 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

The importance of succession planning is evidenced in failures. The Devon Global Sustainability Fund held Starbucks in the portfolio for three and a half years based on high financial returns and a strong stewardship orientation instilled from founder Howard Schultz. Wellington exited the stock in September of 2022 following a series of leadership missteps in which management and the board missed strategic shifts in the business and fell short in addressing related labour unrest, both of which tarnished the customer experience. While this called for a change in leadership, the board was unprepared for succession, lacked credible internal successors, and Howard Schultz was pulled out of retirement as interim CEO. A permanent CEO was named in the following year, recruited externally from a European consumer goods company with no restaurant or retail industry experience. This was the tipping point for Wellington to sell Starbucks; cumulatively, they had lost confidence in the outlook for return on capital, and they had lost confidence in the company's stewardship of its people, resources, and capital. This CEO lasted only 18 months in the seat. This quarter, Starbucks recruited a new external CEO, Brian Niccol from Chipotle, as his replacement. As an outsider, he too will need time to learn the business and prove he can be a better steward of the firm. A few points worth mentioning:

- One of the most important responsibilities for a board is in recruiting, hiring, evaluating, rewarding, and retaining a high-quality CEO. Succession planning is paramount to the board's charge. On this measure, the Starbucks board failed.

- There are exponential - and often unseen - costs in getting succession wrong: it weighs broadly on a firm's morale and culture; it distracts attention from running the day-to-day business; the broader leadership team turns over, not just the CEO; strategy is reset, often through fits and starts; not to mention the explicit expense associated with recruitment packages and exit packages (Brian Niccol was wooed to Starbucks with a $90 million pay plan).

- Stewardship challenges like poor CEO succession planning are often correlated with future stock underperformance but this can take time to materialise. Starbucks remained a strong performer after Schultz handed over the reins for the third time and fundamentals only started to stagnate in 2023. It took time for the market to recognize the larger fundamental problems at Starbucks.

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 engaged with a telecommunications company that provides internet access to low-income families across North America. They had concerns about the issuer's board structure and potential over boarding. During the engagement, Wellington also discussed an upcoming board member election. They expressed their view that acting executives should hold board seats at no more than three organisations. Wellington raised concerns about the potential re-election of one board member and were reassured to learn that this individual would soon be relinquishing a board seat at another company. This, along with the value the individual offers the board, alleviated Wellingtons over-boarding concern. Following several more engagements, this issuer has also demonstrated progress in restructuring its board, with 90% of top management positions independent and 22% diverse. The issuer has shown receptiveness to shareholder and bondholder feedback, including changing its compensation structure to align more closely with shareholder interests. Wellington will continue to monitor and engage with the management team on its plans to evolve governance and board structure.

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 engaged with Bank of Queensland (BOQ) on their sustainability efforts, and discussed BOQ's thoughts and perspective on a potential labelled bond issue. BOQ highlighted that their funding task for the next 12-18 months is very light. Nonetheless, it is progressing its sustainability efforts and building the relevant infrastructure required to issue labelled bonds. Their updates on sustainability efforts were as follows:

- 2024 was the first year it had a limited assurance statement on its sustainability reporting.
- BOQ has joined the UN's Net Zero Banking Alliance and is about to publish its baseline for the 15 categories.

Priorities for 2025 include elevating their thinking about sustainability policies and governance:

- BOQ is partnering with the University of Queensland to launch a climate program for key decision makers.
- BOQ is focused on communicating to the market its thinking about climate through a qualitative lens, as it aims to articulate what climate change means for their business, customers, arrears and hardships level.

Regarding a potential labelled bond, BOQ noted the Australian taxonomy is likely to be finalised towards the end of 2025 and their labelled bond program will be aligned with the Government's labelling criteria. As such, BOQ is hesitant to front run the criteria and issue a labelled bond prior to getting clarity on what that might look like. BOQ also noted this will also allow them time to build up a large enough green asset register to support labelled bond issuance.

Artesian noted that a sustainability-linked bond (SLB) could be a good way to ease into the labelled bond market, before issuing a use of proceeds bond (green, social or sustainable). SLBs have lighter reporting requirements and are still highly sought after in the AUD market.

It was apparent there are several initiatives BOQ is seeking to progress in 2025 with respect to uplifting their sustainability efforts and reporting. However, they remain cautious around the issuance of a use of proceeds bond, until further guidance is released, but value investor feedback on both the structuring of, and appetite for labelled bonds.