



# DEVON FUNDS.

ANNUAL  
SUSTAINABILITY  
REPORT

# 2025





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**Devon Funds Management Limited** (Devon) was established in 2010 when we acquired the well-respected asset management business of Goldman Sachs JBWere NZ Limited and changed the name to Devon Funds Management Limited. As of 2017, Investment Services Group Limited (“ISG”) is the parent company of Devon.

Devon is staffed by a number of leading investment professionals who enjoy a boutique environment. We take pride in the fact that Devon is independent and wholly owned by its employees and directors, who maintain personal holdings in the Devon funds, ensuring our investment team’s decisions and our clients’ interests are always aligned. We manage in excess of \$2 billion across our various strategies for a range of leading New Zealand clients.

For more information on who we are, visit our website:  
[www.devonfunds.co.nz](http://www.devonfunds.co.nz)

# DEVON FUNDS.



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**A**S I PEN THIS NOTE for our Annual Sustainability Report we are in the midst of a wave of anti ESG sentiment coming out of the United States. Within his first days in office President Trump signed orders to withdraw the United States from the Paris Agreement, froze Inflation Reduction Act (IRA) funding, lifted the freeze on LNG export permit applications, and signed an executive order to end Diversity, Equity, and Inclusion (DEI) initiatives in federal agencies. Certainly, the road ahead for 'ESG' will be more challenging. This, however, does not change how Devon operates, or incorporates ESG into our investment process as our investment horizons will outlast a four-year presidential term.

Whilst we anticipate organisations stepping back from public commitments and targets, as we have seen with DEI, our view is that quality companies will continue to pursue these commitments and targets. In the past, such problems have typically been addressed through public policy, however the onus has now been placed on businesses to address these issues in the wake of an increasingly dysfunctional and polarizing political landscape. Anecdotally there have already been assurances provided to investors that whilst companies may not publicly state DEI initiatives, this will continue in the background. There is no doubt however that this is a hard pill to swallow for those who have advocated tirelessly for greater transparency from corporates.

Officially the data shows that 2024 was the world's warmest year since records began in 1850. In fact, ten of our warmest years since 1850 have all occurred in the past decade. A sobering trend and one which is

not lost on us at Devon. We continue to engage with companies on the topic of climate change, perform monthly monitoring of the carbon intensity of our portfolios and pursue collaborative climate initiatives where they arise. To bolster our commitment to climate engagement, particularly with companies in Australia where we are comparatively small, we have joined the Climate Action 100+ (CA100+) engagement group working with Wesfarmers (WES.ASX). This is in addition to another CA100+ collaborative engagement where we are engaging with Woolworths (WOW.ASX).

The New Zealand corporate governance landscape was an interesting one during 2024. Early in the year both the CEO and Chair of Fletcher Building stepped down, leading to a series of governance issues which will be mentioned within this report. It wasn't just Fletcher Building though as the CEO of Sky City Entertainment Group stepped down, as well as Ryman Healthcare's CEO, and Spark's CFO. This perhaps reflect what has been an extremely challenging economic backdrop in New Zealand with an ongoing recession and high unemployment. At the board level, Devon has continued to exercise our voting rights and actively votes against resolutions where we see misalignment with best practice, peers, and company performance.

We have been pleased to see investors' appetite for our externally managed funds which we bring to the market in partnership with Artesian Corporate Bond Pty Ltd ("Artesian") and Wellington Management. Both the Artesian Green and Sustainable Bond Fund (NZD) and the Devon Global Sustainability Fund (managed by Wellington) are unique to the New Zealand market and



have a specific focus on sustainability. When choosing external managers to work with we consider whether the manager has a sound and disciplined investment process, and investment style that is consistent with Devon's investment philosophy. For both Artesian and Wellington, this is pleasingly coupled with a commitment to integrating ESG into the investment process and a focus on sustainability.

With that, I am proud to be presenting our Annual Sustainability Report for 2025 which I trust will provide you an overview on how we think about, exercise, and incorporate responsible investment into our processes. Should you have any questions related to this please don't hesitate to contact our team [here](#).

**Slade Robertson**  
Managing Director

### Management Team

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**Slade Robertson**  
*Managing Director*



**Niall Hartigan**  
*Chief Financial Officer*



**Mark Brown**  
*Chief Investment Officer*



**Suki Chow**  
*Operations Manager*

### Investment Team

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**Slade Robertson**  
*Managing Director/  
Portfolio Manager*



**Mark Brown**  
*Chief Investment Officer/  
Portfolio Manager*



**Tama Willis**  
*Portfolio Manager*



**Patrick Washer**  
*Portfolio Manager*



**Ben Jenkin**  
*Portfolio Manager*



**Alice Jones**  
*ESG Analyst*

### Distribution

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**Greg Smith**  
*Head of Retail*

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We recognise that diversity of background, experience, and thought contribute to a well-rounded and ultimately better placed business. In recognition of this, we have provided data below on the gender and ethnicity breakdown across our team. We recognise we have a way to go to reach true diversity and actively consider this within our recruitment processes.

## Gender diversity

Gender refers to a person's social and personal identity as male, female, or another gender such as non-binary. Gender may include the gender that a person internally feels ('gender identity'), and/or the gender a person publicly expresses ('gender expression') in their daily life. A person's gender may change over time. A person's current gender may differ from the sex recorded at their birth and from what is indicated on their current legal documents. Some people may not identify with any gender. (Stats NZ, Data standard for gender, sex, and variations of sex characteristics)

Please note respondents could answer female, male, another gender, prefer not to say, or a free-text response.

## Ethnic diversity

We recognise ethnicity is a measure of cultural affiliation. It is not a measure of race, ancestry, nationality, or citizenship. Ethnicity is self-perceived, and people can belong to more than one ethnic group.

An ethnic group is made up of people who have some or all of the following characteristics:

- a common proper name
- one or more elements of common culture, for example religion, customs, or language
- unique community of interests, feelings, and actions
- a shared sense of common origins or ancestry, and
- a common geographic origin

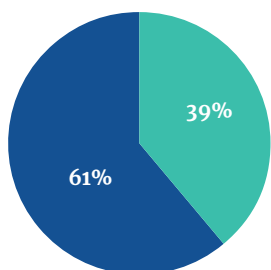
## Ethnic diversity continued

Our staff were asked to fill out a free-text question for this survey, and as such ethnicities identified were varied. Respondents were also able to identify multiple ethnicities.

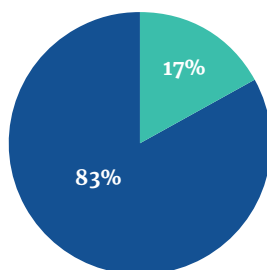
To accurately represent responses, we have presented these listed as opposed to categorising them for pie charts.

- Afrikaaner
- Chinese
- European
- European and Māori
- Irish
- Māori British
- New Zealand, South Africa
- New Zealand European
- New Zealand Māori
- Pakeha
- South African
- White English

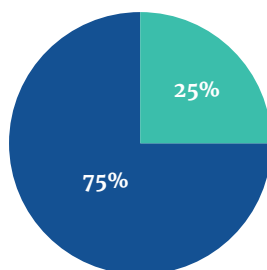
Gender Diversity – Whole Team



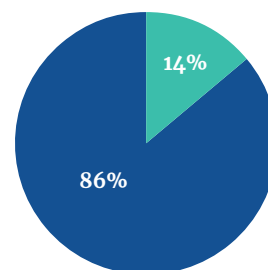
Gender Diversity – Directors



Gender Diversity – Management



Gender Diversity – Investment Team



● Male ● Female

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As part of our approach and commitment to Responsible Investing, we are signatories to various industry groups, certified by Toitū and RIAA, and have been recognised for industry awards.

## Aotearoa New Zealand Stewardship Code

The Aotearoa New Zealand Stewardship Code is a principles-based framework for achieving three goals of effective stewardship:

- To create and preserve long-term value for current and future generations
- To ensure the efficient management of capital whilst considering the best interests of clients and beneficiaries
- To contribute towards achieving sustainable outcomes for our environment, society, and economy.

Devon was a founding signatory of the Aotearoa New Zealand Stewardship Code and have published our inaugural Stewardship Report demonstrating out alignment to the code. It is available [here](#).

## Climate Action 100+

Climate Action 100+ is an investor led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Over 600 investors are involved in the initiative who are engaging with companies on improving climate change governance, cutting emissions, and strengthening climate related financial disclosures. Devon has been an active member since 2019 and is involved in engagements with Woolworths (WOW.ASX), and Wesfarmers (WES.ASX).

## New Zealand Corporate Governance Forum

The New Zealand Corporate Governance Forum is committed to promoting good corporate governance in New Zealand companies. The Forum's members are investors with significant investment in NZ listed companies.

## UN Principles for Responsible Investment (PRI)

Devon has been a signatory to the UN PRI since inception. The initiative outlines six principles:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

In implementing these principles, signatories contribute to developing a more sustainable global financial system.



## Spring

In 2024, Devon became involved in Spring. Spring is a UN PRI stewardship initiative for nature, addressing the systemic risks of biodiversity loss to protect the long-term interests of investors. Devon is part of the engagement group working with South32 (S32.ASX).

## Mindful Money Best New Ethical Fund 2024

The Artesian Green and Sustainable Bond Fund (NZD) won the Mindful Money Best New Ethical Fund for 2024. The judges welcomed this innovative offering into the New Zealand market, with strong ESG credentials and an orientation towards sustainability themes. They noted that Artesian has a strong framework for measurement and reporting.

## Toitū Envirocare Enviromark Gold Certification

Investment Services Group (ISG) which is the parent company of Devon Funds, engaged with Toitū Envirocare to assist with the implementation of a planned approach to managing our environmental aspects and impacts (including legislative health and safety requirements) through the Toitū Enviromarks programme. Annual independent audits are facilitated as part of the programme. ISG has achieved the Toitū Envirocare Enviromark Gold certification.

## Responsible Investment Association Australasia (RIAA)

### Member

Devon and TAHITO are both RIAA members. RIAA is an industry association with over 500 members, representing \$83 trillion (NZD) in assets under management. RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Their membership includes super funds, KiwiSaver providers, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

## Responsible Investment Association Australasia

### Responsible Investment Leader 2024

Devon Funds and TAHITO limited were recognised as Responsible Investment Leader's in 2024 by the Responsible Investment Association Australasia (RIAA), in their Responsible Investment Benchmark Report. The award recognises organisation placed in the top 20% of those assessed, demonstrating leading practice in our commitment to responsible investing; explicit consideration of environmental, social and governance factors in investment decision making; strong and collaborative stewardship; and transparency in reporting activity, including the societal and environmental outcomes being achieved.



## Responsible Investment Association Australasia

### Certified Sustainable Plus

The Devon Sustainability Fund and TAHITO Te Tai o Rehua fund have been RIAA certified since 2022. The RIAA Responsible Investment Certification Program is the leading initiative for distinguishing quality responsible, ethical, and impact investment products and services in Australia and New Zealand.

In 2024, RIAA launched the Sustainability Classifications initiative that builds on RIAA's Responsible Investment Certification Program. The initiative introduces three classifications: Responsible, Sustainable, and Sustainable Plus. The classifications differentiate RIAA certified funds based on their responsible investment approaches, claims, processes, stewardship programs and disclosures. They focus on the approach that funds take in considering ESG factors and the degree to which sustainability is addressed or targeted. The Devon Sustainability Fund and TAHITO Te Tai o Rehua fund have been designated the 'Sustainable Plus' classification.



DEVON ALPHA FUND

DEVON AUSTRALIAN FUND

DEVON DIVERSIFIED INCOME FUND

DEVON DIVIDEND YIELD FUND

DEVON SUSTAINABILITY FUND

DEVON TRANS-TASMAN FUND

### Externally managed funds

DEVON GLOBAL SUSTAINABILITY FUND

DEVON GLOBAL IMPACT BOND FUND

ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

TAHITO TE TAI O REHUA FUND



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Responsible investment strategies vary and are often used in combination with one another by investors globally. The Responsible Investment Association Australasia (RIAA) categorise the approaches used by investors according to the below:

## ESG Integration

ESG integration: the systematic and explicit inclusion by investment managers of environmental, social and governance factors into the investment decision-making process.

## Negative/Exclusionary Screening

Negative/exclusionary screening: the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria, such as what goods and services a company produces, or how inadequate a company or country response is to emergent risks such as climate change impacts.

## Minimum Standards (Norms-Based) Screening

Minimum-standards (norms-based) screening: screening of investments against minimum standards of business or government practice, for example as based on international norms such as those issued by the UN, ILO, OECD and NGOs (e.g. Transparency International) and may include exclusions of investments that are not in compliance with norms or standards or over and underweight.

## Corporate Engagement and Shareholder Action

Corporate engagement and shareholder action: employing shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

## Positive/Best in Class Screening

Positive/inclusionary screening: intentionally tilting a proportion of an investment portfolio towards positive solutions, or targeting companies or industries assessed to have better ESG performance relative to benchmarks or peers.

## Sustainability Themed Investing

Sustainability themed investing: investment in themes or assets and programs specifically related to improving social and environmental sustainability (e.g. safe and accessible water, sustainable agriculture, green buildings, lower carbon tilted portfolio, community programs).

## Impact Investing

Impact investing: investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.



At Devon, we apply responsible investment strategies both at a firm level and in varying degrees across our portfolios. **All of our funds employ ESG integration**, in which environmental, social, and governance factors are fundamental to the investment decision making process.

Across our funds we apply the following strategies:

Externally managed funds

	Devon Alpha Fund	Devon Australian Fun	Devon Diversified Income Fund	Devon Dividend Yield Fund	Devon Sustainability Fund	Devon Trans-Tasman Fund	TAHITO Te Tai O Rehua Fund	Global Impact Bond Fund	Global Sustainability Fund	Artesian Green and Sustainable Bond Fund (NZD)
Asset class	Australasian Equities	Australian Equities	Australasian Equities	Australasian Equities	Australasian Equities	Australasian Equities	Australasian Equities	Global Bonds	Global Equities	Global Bonds
ESG Integration	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Negative/Exclusionary Screening	No	No	No	No	Yes	No	Yes	No	Yes	Yes
Minimum Standards (norms-based) Screening	No	No	No	No	No	No	No	No	No	No
Corporate Engagement and Shareholder Action	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Positive/Best in Class Screening	No	No	No	No	Yes	No	Yes	No	No	Yes
Sustainability Themed Investing	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes
Impact Investing	No	No	No	No	No	No	Yes	Yes	No	Yes

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The term 'ESG' has been critiqued for being vague. Certainly, even breaking down the acronym to environmental, social, and governance fails to full explain the term. In essence, we view ESG as a lens through which we think about material risks or opportunities within our company analysis. We execute this in three ways, as outlined here.

The first is through initial company research. For any company we are looking at we will evaluate:

- **Environmental impact:** predominantly from a carbon emissions perspective.
- **Social impact:** which differs depending on the core business of a company but can include safety, labour issues, or consideration of community impact (including traditional owners).
- **Corporate governance:** best practice.

If any issues are identified in this process, we use this as a point of engagement in our meetings with the companies.

The second is ongoing monitoring of the companies we own. This is done on a regular basis through monthly controversy screening. However, given this is backwards looking we stay on top of all company announcements, news reports, and policy and regulatory updates to address controversies as and when they arise.

In addition, we monitor all company results and annual reports for updates on their performance against ESG targets. We are particularly focussed on tracking company progress towards interim and net zero goals and update our models according to this on an annual basis and also monitor the carbon intensity of the funds against their benchmarks.

We will engage with companies where we find issues or seek clarification.

Finally, the global shift towards a more sustainable world presents material opportunities for companies. In the past couple of years, we have seen a significant increase in investment in this space and political appetite to provide funding in these areas.

Contact Energy (CEN.NZX) is an example of a company that we view as benefitting from these opportunities. The energy sector is key to decarbonising significant parts of New Zealand's economy, including transportation and process heat. It makes both commercial and environmental sense for Contact Energy to pursue a decarbonise their portfolio, and grow the demand for renewable energy. We are always looking for companies whom we feel will benefit from this set of circumstances.



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We recognise that some of our clients wish to invest in a manner that does not provide capital to certain activities that can have environmental or social impacts. As such we have funds which apply various exclusions, which are outlined below.

## Devon Sustainability Fund

Excludes companies where more than 10% of business revenue comes from:

- » Alcohol manufacturing
- » Gambling
- » Pornography
- » Fossil fuel exploration, extraction, and refining<sup>1</sup>

Also excludes companies where any business revenue is derived from:

- » Manufacturing of tobacco-based products or nicotine alternatives<sup>2</sup>
- » Manufacturing and sale of armaments<sup>3</sup>

As well as any company on human rights watchlists as stated by MSCI, or involved in whaling activities.

<sup>1, 2, 3</sup> Please refer to our website for further details on these exclusions: <http://devonfunds.co.nz/sustainability-fund>

## TAHITO Te Tai o Rehua Fund

Tahito Te Tai o Rehua Fund excludes companies with no female board representation and any company subject to global sanctions. It further excludes companies directly involved in:

- » Adult entertainment/pornography
- » Civilian firearms
- » Defence and weapons

- » Fossil fuels
- » Gambling
- » Genetic engineering (GE)
- » Human rights & environmental violations
- » Military Weapons
- » Nuclear power
- » Production or purchase of palm oil
- » Production of alcohol
- » Tobacco and vaping

## Global Sustainability Fund

Excludes companies that are involved in the following:

- » Production of controversial weapons, including cluster munitions, landmines, biological/ chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments
- » Production of nuclear weapons
- » Production, distribution, retail or supply of tobacco related products
- » Thermal coal extraction or thermal coal-based power generation
- » Production and generation of oil sands (also known as tar sands)

## Global Impact Bond Fund

Excludes companies that are involved in the follow:

- » Production of controversial weapons
- » Thermal coal extraction or power generation
- » Production and generation of oil sands
- » Significant activities associated with controversial weapons
- » Significant activities fossil fuels principal adverse impacts

## Artesian Green and Sustainable Bond Fund (NZD)

The Investment Manager has determined various products and practices attract unacceptable social and environmental risks.

The Investment Manager adopts a zero-tolerance for issuers involved in the production of tobacco, alcohol, pornography, munitions, palm oil, gaming equipment and exploration and or production of fossil fuels.

*Please note that we cannot claim categorically that we do not hold investments in these excluded activities, as ourselves and the screening providers we use may not have complete transparency of a company's activities. We use publicly available information and the screening services available to us to make every attempt to comply with these exclusions prior to an investment being made and during ongoing monitoring of exclusions.*

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### Proxy voting

We are advocates for strong corporate governance structures, shareholder rights, and transparency. We vote all proxies on behalf of clients, unless the client has a preference to vote these proxies themselves. The objective in voting is to support proposals and director nominees that maximize the value of a portfolio's investments over the long term.

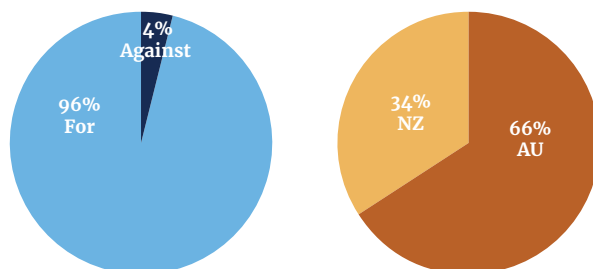
Each proposal must be evaluated on its merits, based on the particular facts and circumstances as presented. Our practice seeks to ensure that proxy voting decisions are suitable for individual portfolios. For most proxy proposals, the evaluation will result in the same position being taken across all portfolios.

This year Devon voted against management recommendations on 18 resolutions.

Clients of Devon's Sustainability Fund have access to all their relevant voting outcomes through the Devon Funds website ([devonfunds.co.nz/sustainability-fund](https://devonfunds.co.nz/sustainability-fund)).

Please note this information relates only to Devon's internally managed funds.

#### Breakdown of votes:



Further information regarding proxy voting is available in our Stewardship Report, available [here](#).

### Engagement

Direct engagement with companies and their stakeholders is an important part of Devon's investment process, and a key driver of our approach to Responsible Investment.

Engagement is typically with the CEO, CFO and other senior management and may take the form of face-to-face meetings, phone conversations, or written communication. This engagement provides us with insights into the quality of a company's management, strategy, market environment, operations, governance structure and their approach to ESG issues. Additionally, we actively engage with corporate boards either to address issues or to engage on various matters as the

custodians of our equity investments. In this regard we often engage proactively with boards with respect to their construction, their gender diversity, member contribution and tenure.

We collaborate with other fund managers through the New Zealand Corporate Governance Forum, of which we are a founding member, where we believe a collaborative approach will be in the best interests of our clients and achieve the greatest result.

#### Engagement Example

During the year we had extensive engagement with Fletcher Building (FBU). This was initiated off the back of both the CEO and Chair resigning which flagged major governance concerns. The catalyst was the accusation by Western Australia's largest home builder, BGC, that FBU Iplex Pro-fit thin pipes were faulty and causing leaks in homes throughout Western Australia.



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BGC made claims that the total cost of fixing all the houses impacted could be up to \$709 million.

We met with the Chair in our offices and discussed our governance concerns regarding both the CEO and the Chair stepping down. The company was entering a significantly challenging period, and it would not have stable leadership at both the management and board level. Nothing from our meeting gave us enough confidence to reinstate our overweight.

In April 2024, we sent a letter to the interim Chair of FBU. We expressed our preference that all remaining Board members also take accountability for the performance of FBU and tender their resignations upon the appointment of the new Chair. We also outlined our expectations regarding the new Chair and indicated our support for a candidate. We received a response from the interim Chair that described the wide range of views they had received and assuring us that they were committed to finding the best possible CEO and Chair for Fletcher Building.

In August FBU announced the appointment of a new CEO and Managing Director. The following month, we became aware of an article that had been published in the Australian that detailed a derogatory post on the incoming CEO's Facebook page. We asked the interim Chair to help us understand how such an oversight could have occurred, how the FBU Board has responded since this post was highlighted by the media, and why this issue wasn't picked up in the CEO screening process?

We subsequently met with the Chair who explained that when the CEO came onboard, reference checking was



done in house and not externally. The picture itself was taken 18 years ago. Once the picture was highlighted in the article, it was taken down immediately, and apologies were circulated. It was recognised that this was a serious lack of judgement. The board were satisfied that this was just a lack of judgement and were comfortable with the responses they received. Whilst not ideal there was ultimately no further escalation required.

Whilst speaking with the Chair we took the opportunity for a general governance update, given no new Chair has been announced. Despite a few possible candidates at the time, the search was still underway due to availability. We also discussed the resolutions at the upcoming meeting and were asked if we could support one of the existing directors re-election to the board.

We discussed Fletcher Buildings issues, our series of engagements, feedback from other significant shareholders, and the upcoming proxy votes at our Investment Committee meeting. We ultimately decided we would vote against the re-election of the director who was up for re-election. Whilst we had sympathy for maintaining a full board and the director's experience, we felt re-election for a three-year term was unreasonable. We would have preferred that the new Chair, when appointed, had the discretion to appoint directors that they see fit.

We communicated our voting intentions with the company and spoke directly to the director. However, we did not change our voting intentions off the back of that discussion and cast our votes. The director was re-elected at the AGM, however 22.67% of shareholders voted against their re-election.

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### Collaboration

We recognise that collaboration within the investment industry can be a powerful tool for leveraging change within an organisation.

We collaborate with investors as part of the Climate Action 100+, and through this initiative we are part of an engagement with Woolworths which is ongoing. We have also joined the new UN PRI collaborative engagement initiative called Spring. Spring is a stewardship initiative for nature, addressing the systemic risks of biodiversity loss to protect the long-term interests of investors. In addition, we are members of RIAA, signatories of PRI and the New Zealand stewardship code, members of the RIAA Aotearoa Collaborative Working Group, and a founding member of the New Zealand Corporate Governance Forum; all of which represent a network of investors with whom we can collaborate.

We anticipate that as the market moves towards stewardship as the key way in which investors can exercise responsible investment, more collaborative opportunities will emerge which we would view as a very positive development.

#### Collaboration Example:

During 2024, as part of our Climate Action 100+ initiative, we have had meetings with the General Manager Sustainability for Planet at Woolworths.

Towards the end of 2024 the group had the opportunity to discuss with Woolworths the latest information in their Annual Sustainability report. For example, investors were keen to understand why Woolworths

had updated their baseline as their benchmark from emissions reductions, which was simply a requirement of the Science Based Targets Initiative (SBTi).

We also discussed Woolworths' engagement on climate lobbying and advocacy as this was flagged as an area for improvement, and they explained that they actively look for new forums they can engage with. Woolworths are part of the Climate Leaders Coalition which has been beneficial to date for knowledge sharing and they receive pro bono support from the big four consultancy firms. Woolworths acknowledged their poorer scoring against the CA100+ framework regarding disclosure on policy engagement and indicated they could improve this in FY25.

Regarding Woolworths' climate and remuneration strategy, Woolworths shared they have ESG related components, for example 20% of 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. The General Manager mentioned that their balanced scorecard will evolve constantly and KPIs are reviewed yearly so may expand to other items. This was flagged by investors after the call as something we would engage with Woolworths further on.

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, and the CA100+ is convening to establish other issues we wish to work with Woolworths on.



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As we move into 2025, the landscape surrounding Environmental, Social, and Governance (ESG) continues to evolve, particularly with the recalibration of ESG strategies in response to increased scrutiny and potential litigation risks.

**A**fter a steady period of momentum across the green and sustainable space, what lies ahead in the face of economic pressure and Trump 2.0 is uncertain.

There has already been a recalibration. Some firms, specifically those with US operations, have made moves to remove the “ESG” label from products and services for fear of litigation in the US, and increased scrutiny. Similarly, the term “DEI” (diversity, equity, and inclusion) has been wiped from documents. In the face of such push back, better articulation around how ESG is fundamentally about risk management should help mitigate scrutiny. For example, looking at potential sea level rise for developments on low lying land, is a fundamental financial risk and considering such risks is part of our fiduciary duty. In this respect while we don’t doubt some momentum towards sustainability outcomes will be lost, “ESG” issues will still be integrated into the investment process by all astute investors and there will be no changes to Devon’s approach or processes.

Perhaps more pertinent for New Zealanders is the economic landscape we are in at the onset of 2025. It would be remiss not to mention the social (‘S’) aspect in ‘ESG’ within our home context. Indeed, our own government came in with sweeping reforms, those that related to the public system and government spending. With significant economic pressures many businesses have made enormous headcount reductions.

Mortgage rates, whilst now decreasing, remain high for borrowers. The cost of living for New Zealanders remains high. Anecdotally we are not yet seeing many green shoots. However, we see this meaningfully improving during the year as what the government is investing in begins to take shape and the Reserve Bank continues to drop the official cash rate.

On the sustainability front, the New Zealand government has announced they are developing a sustainable finance taxonomy which aims to provide the market “with the market clarity and confidence on which economic activities are ‘green’ or sustainable.” This is in line with overseas jurisdictions, namely the EU. Taxonomies are a classification system that define which economic activities are aligned to a sustainable, low-emissions future, with a view to directing investment to the activities required for the transition. We expect this to make progress over the next year, albeit will likely take longer than this to make headway.

In addition to this progress on a sustainable finance taxonomy, the market is still digesting the Climate Related Disclosure (CRD) reports that were released in 2024 from NZX listed companies. The FMA was pleased with the reporting efforts and acknowledged time and resource restraints. Given it was the first year of reporting there were some common issues identified by the FMA which they have provided feedback on, which will help companies with future years reporting.



We imagine reporting will mature in the coming years, notwithstanding there are possible reforms to the legislation being discussed already which may change who is captured and director liability.

When we meet with the company BHP, a commodities business in Australia and one of the most significant carbon emitters held within our portfolios, they often quip that the only certainty with their decarbonisation journey is uncertainty. This is a sentiment that fits well with the global ESG and sustainability landscape. Various themes continue to gather momentum, including those mentioned in our ‘Year Ahead’ memo last year, scope 3 emissions data improvements, and nature and biodiversity progress. Modern slavery is also an issue the investor community continues to grapple with. Our view is that meaningful progress in this space must come from government legislation, and we continue to support industry calls for this as much as we can.

Amid these shifts, we remain committed to integrating ESG factors into our investment strategies, with a clear emphasis on risk management and sustainable outcomes.

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# DEVON FUNDS.

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