Devon Funds Management Responsible Investment Policy

December 2024

Schedule of changes

Version	Date of Change	Description of Key Change(s)	Author
2	March 2023	• Grammar and formatting updates. • Update in disclosure survey information, RIAA membership number, and Climate Action 100+ engagement initiative to ensure this is up to date and accurate. • Non-material updates to information on processes.	Alice Jones
3	March 2024	• Grammar and formatting updates. • Various updates to ensure up to date information on industry bodies and collaborative groups. • Addition of "Part 5: External Manager Selection and Monitoring" section. • Addition of "Part 6: Reporting" section. • Addition of "Part 7: Monitoring and Review" section. • Changes to definitions for tobacco and armaments exclusions.	Alice Jones
4	October 2024	• Updates to "Part 4: Stewardship Policy" section, in accordance with the Aotearoa Stewardship Code • Updates to "Part 6: Manager Selection and Monitoring" section to include stewardship objectives	Alice Jones

Document Approval

Version	4
Approved By	Investment Committee: • Mark Brown, Chief Investment Officer & Portfolio Manager • Slade Robertson, Managing Director & Portfolio Manager • Tama Willis, Portfolio Manager • Ben Jenkin, Portfolio Manager • Patrick Washer, Portfolio Manager • Chris Knight, Compliance Officer • Alice Jones, ESG Analyst
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1. Introduction and Approach

1.1 Introduction

Devon Funds Management Limited ("Devon") is an independent investment management business that specialises in building portfolios for our clients that are comprised of companies listed on the New Zealand and Australian stock exchanges.

Devon manages in excess of $2 billion on behalf of a diverse range of leading New Zealand clients, including Community Trusts, charities, KiwiSaver Schemes, corporate pension schemes and individual investors.

Our competitive advantage is based on three key factors: our business structure, our people, and our consistency.

We take pride in the fact that Devon is independent and wholly owned by its employees and directors, who maintain significant personal holdings in the Devon Funds, ensuring our investment team's decisions and our clients' interests are aligned at all times. We can only invest in Australian and New Zealand equities via our own Funds to ensure there are no conflicts of interest between clients and staff and ensures that employees have the same investment experience and outcome as clients.

Our people are a key competitive advantage. We have one of the most experienced investment teams operating in New Zealand. We have deep experience across all the major sectors in New Zealand and Australia and this enables high levels of research conviction to be achieved. Our investment process is targeted towards bottom-up fundamental analysis driven by primary research. We also recognise that in order to best understand the sectors under coverage that our analysts must not only travel regularly across New Zealand and Australia but also further abroad to countries where companies we own operate. All research, financial analysis and valuation work is completed internally, we do not rely on broker research.

We are consistent. We have a well-established investment and research process with a strong long-term track record for investors. Our investment style is focused on constructing portfolios of New Zealand and Australian shares that are high quality businesses operating in attractive industry structures with strong free cash flows. We do not and have not, deviated from this approach.

1.2 Our Values

We believe that, on your behalf, we have an obligation to ensure that the businesses we invest in conduct themselves in accordance with the highest corporate standards. Where these standards are not being demonstrated we will actively engage with the company to seek improvement. In our view, better returns can be achieved if the businesses we invest in are good corporate citizens who look after the interests of all stakeholders and operate in a sustainable manner.

We believe that Environmental, Social and Governance (ESG) factors are a key focus for governments, regulators, consumers, and investors. We consider that ESG factors present financial risks as well as significant opportunities for companies both in the short and long-term.

At Devon our policies have evolved substantially over the years to ensure that our own corporate standards are consistent with the expectations that we have of the companies in which we invest. Our Toitū Envirocare Gold Certification is an important example of this commitment.

To achieve the Toitū certification, we demonstrated that we:

- Have set objectives and targets for driving sustainability improvements and have programmes in place to meet those targets;
- Have developed, implemented and tested environmental emergency plans;
- Have identified and evaluated our significant environmental issues arising from activities, products and services;
- are actively monitoring our ongoing compliance with New Zealand legislation and are ensuring that we are aware of any changes to obligations;
- Have produced an environmental policy statement;

- Understand the scope of our Environmental Management System (EMS);
- Exhibit no non-compliances with New Zealand's applicable health and safety and environmental legislation.

We are also a member of the Responsible Investment Association of Australasia (RIAA). RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. It has over 500 members and is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. As a member of RIAA, we commit to promoting, advocating for, and supporting approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment, and economy. The Devon Sustainability Fund has obtained RIAA 'sustainability plus' certification, which provides confidence that our product and we, as a product provider, are delivering on our responsible investment promise and meeting the Australian and New Zealand Standard for responsible investing.

We are also a founding member of the New Zealand Corporate Governance Forum which was established to promote globally recognised governance standards in New Zealand. Our commitment to responsible investing is further bolstered by our involvement with Climate Action 100+. As a signatory to this initiative, we are currently involved in our second engagement with Woolworths (WOW.ASX). In our engagement with Woolworths, we operated alongside investors such as Australia's Local Government Super Scheme (AustralianSuper). Through our initial collaboration with Woolworths, we were able to improve their lighting and refrigerators to more efficient alternatives, along with reducing the amount of packaging used and some other general supply chain improvements.

Additionally, we are a signatory to the United Nations supported Principles for Responsible Investment (PRI). The PRI provides global principles and a framework to help us integrate the consideration of Environmental, Social and Governance (ESG) issues into our investment decision-making and portfolio construction framework.

As part of this process, we report annually to the PRI on our adherence to these policies. Our current PRI ratings in the most recent reporting period were:

Policy Governance and Strategy – 77%

Indirect - Listed Equity- Active – 91%

Direct - Listed Equity- Active Fundamental – 96%

Confidence Building Measures – 100%

Our latest report is available here.

2. Investment Guidelines and Objectives

2.1 Investment Philosophy

Our investment philosophy is to generate superior risk-adjusted returns over the long term for our clients by investing in high quality businesses trading at a discount to fair value. We believe that these businesses can be acquired at a discount to fair value due to market inefficiencies and the volatility of short-term prices. We define fair value as the present value of the future free cash flows of the business to capital providers and we define quality businesses as those that are able to sustain high returns on capital; in particular, returns which sustainably exceed the company's cost of capital. We assess fair value and the quality of a business through our in-depth fundamental research process, which assesses the strength and sustainability of the business model, the attractiveness of the industry, the quality of the historical financial statements and the ability of the company to sustainably generate free cash flow. We integrate ESG factors into this process. Our investment decisions are based on primary sources of information, and regular access to executive management and industry contacts is an integral part of our investment process.

2.2 Investment Process

Research

We filter and identify investment opportunities through detailed industry and company analysis. Our investment decisions are based on independent sources of information. Regular access to executive management and industry contacts are an integral part of our investment process. We use research models to value each company we wish to invest in, subjecting them to rigorous analysis by focusing on their earnings, capital structure, free cash flow generation and growth prospects. We also incorporate relevant ESG factors into our analysis which can present both material risks and opportunities. This will feed into our engagement activities when meeting with executive management.

Peer Review

Our investment team conducts a review of each business to assess its industry structure, management quality, governance structures, competitive position, and growth plans. An important part of our process is our formal weekly Investment Committee Meeting (ICM), which we use as a forum to peer review the work the analyst responsible for the sector has done on the company, this ensures we use the full experience of our team to identify what we believe are the best possible investment opportunities.

Portfolio Construction

Within our ICM the investment team discuss new investment ideas, review existing holdings, and conduct a thorough review of the risks facing our investments. This process is also integral to the construction of our portfolios with the best of those opportunities identified in the research process being appropriately represented. In addition to our ICM we hold a bi-weekly ESG ICM in which we discuss specific ESG issues, obligations as a signatory to industry groups, engagement activities, and upcoming reporting.

Risk analysis is extremely important at this stage. The most important aspect of risk in our view is the quality of the balance sheet of individual stock holdings. We closely monitor portfolio companies' debt to operating free cash flow, and interest cover metrics, relative to debt covenants.

We also actively consider the valuation risk in the portfolio. This is done by assessing the fundamentals of each individual stock, and the contribution to overall portfolio valuation metrics, on an absolute basis.

Lastly, the variance of the portfolio to the benchmark is considered. We monitor whether the portfolio is appropriately diversified in terms of companies, industries, and sectors, relative to the benchmark. We monitor individual stock contribution to tracking error, and that overall ex ante tracking error is in line with our expectations and the mandate. We monitor portfolio style by assessing the fundamentals of the portfolio relative to the benchmark to identify any deviation from our intended investment style.

We are also very conscious of liquidity and prefer companies that are large and liquid. We utilise external risk systems to assist with the above processes. These systems are useful for assessing both the current portfolio, and the impact of any intended stock changes.

Portfolios are then constructed in accordance with their investment guidelines. The Devon investment process is summarised below:

This policy does not extend to funds externally managed outside of Devon Funds Management.

3. Responsible Investment & ESG Incorporation

3.1 Overview

We apply two Responsible Investment strategies when managing client funds - (1) ESG integration and (2) active ownership.

Devon Funds predominantly manages funds on behalf of wholesale and institutional clients, each with their own discrete mandates that aren't publicly disclosed. For this reason, we do not apply companywide exclusions. Within many of our mandates are certain ESG related exclusions, objectives, and targets which we are required to report back on to our clients regularly. Examples include: GHG emission reduction, climate risk exposure, portfolio alignment to Paris agreement, ESG integration, proxy voting, and engagement. In addition, our Devon Sustainability Fund employs an ethical screen that will exclude companies where more than 10% of business revenue is derived from the manufacture of alcohol, gambling, pornography and the exploration, extraction, refining, processing of fossil fuels[1]. The Fund will also employ an ethical screen that will exclude companies where any business revenue is derived from the manufacture or sale of armaments[2], production and manufacture of tobacco and tobacco-based products or nicotine alternatives[3], and any company involved in whaling activities or on human rights watchlists as stated by MSCI.

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[1] For companies involved in the exploration, extraction, refining, or processing of fossil fuels, this applies to companies where more than 10% of business revenue is derived from coal or oil, including unconventional oil and unconventional gas. The Fund will also exclude:

- companies where more than 50% of business revenue is derived from the production of dedicated equipment or services for the fossil fuel sector.
- companies where more than 10% of business revenue is derived from the production of electricity if the company has a generation mix dominated by coal.

[2] For companies involved in the manufacture and sale of armaments, the Fund will exclude:

- companies involved in the development and production of biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/sub-munitions and their key components.
- companies (including their subsidiaries and investments) involved in the development, production and maintenance of nuclear weapons.

[3] Tobacco-based products or nicotine alternatives includes:

- Electronic nicotine delivery systems (ENDS) as defined by the US Food and Drug Administration (e.g. 'vaping' devices, e-cigarettes) alternatively described as nicotine vaping products (NVP)
- Dissolvable and non-combustible tobacco products (e.g. nicotine pouches, snuff)
- Shisha and water pipes

Incorporating ESG factors into our analysis for each business that we research is a distinct part of our fundamental process. ESG issues may impact on the future cash flows we forecast for a business and the value we attach to those cash flows.

Active ownership relates to both regular engagement activities and proxy voting. We believe we have a fiduciary duty to our clients to actively engage on ESG issues with all companies that we hold in our portfolios, and we vote on all motions. In situations where we believe that strong ESG standards are not being demonstrated, we will engage with the company to seek improvement. If the company does not resolve the issue and we believe that it may impact on the value of our holding, we may exit the stock.

As part of the detailed analysis of a business, we will review all relevant ESG factors. Our source data includes our own views, media reports, regulatory reviews, government reports, annual reports and third party ESG research vendors - Devon's provider is currently MSCI. For any businesses that we hold ESG concerns over, we evaluate whether to hold the position and engage with the company, or to exit the position. We engage frequently with the companies that we own and those that we are analysing.

If and when derivative products are used within the funds, these products are also covered by our Responsible Investment Policy. This is to ensure that there is no likelihood of the fund gaining economic exposure to a company via derivatives that would have otherwise been excluded from the portfolio.

3.2 Investment Beliefs

Devon's approach to ESG considerations is neither a recent, nor a superficial part of the process. As a responsible corporate citizen, with a fiduciary duty to our clients, and as a signatory to the Principles of Responsible Investing (PRI), Devon has an obligation to consider all types of nonfinancial risks and opportunities, and we believe our ESG integration strategy strengthens our investment decisions.

1. Devon believes that managing ESG considerations will lead to increased shareholder value
2. Devon believes that strong corporate governance is often correlated with strong environmental and social company outcomes
3. Devon believes that a company's ESG risks and opportunities should be identified and measured in order to appropriately value an investment
4. Devon believes in engagement on ESG matters as a critical part of assessing and monitoring and investment
5. Devon's investment beliefs are based on several years of academic evidence and is consistent with our own ESG process.

3.3 ESG Integration

The consideration of ESG factors is an essential part of Devon's investment process. ESG screens are included in the pre-investment phase of an investment to ensure investment companies align with our stated objectives. We constantly monitor any changes with regards to ESG factors to ensure retention (or divestment) of investments. On a daily basis, we monitor company and media reporting, as well as any regulatory changes or research from sell-side analysts. We also do a monthly screening of our portfolios looking at carbon data and controversies. Where we find issues we will discuss these as part of our ICM or ESG ICM (depending on the nature of the issue), and make a call as to whether we will engage with the company, and/or adjust our position sizing.

Social Factors:

Devon incorporates social factors into our decision making in order to understand all relevant long-term risks associated with the companies that we own and are analysing. The following social factors broadly represent what will be considered:

- Human capital - e.g. labour management, health and safety, supply chain and modern slavery
- Community relations
- Product liability- e.g. product safety and quality, chemical safety, privacy and data security, health and demographic risk

- Controversial sourcing
- Diversity

Governance Factors:

Devon incorporates Governance factors into our decision making in order to understand all relevant long-term risks associated with the companies that we own and are analysing. The following Governance factors broadly represent what will be considered:

- Corporate governance - e.g. board, renumeration, ownership, accounting
- Controversial investments
- Corporate behaviour- e.g. business ethics, anti-competitive practices, corruption and instability, tax transparency

Environment Factors:

Devon incorporates Environmental factors into our decision making in order to understand all relevant long-term risks associated with the companies that we own and are analysing. The following Environmental factors broadly represent what will be considered:

- Climate change - e.g. carbon intensity, GHG emissions
- Natural capital- e.g. water stress, biodiversity and land use, raw material sourcing
- Pollution and waste - e.g. toxic emissions and waste, packaging material and waste, electronic waste
- Environmental opportunities - e.g. clean technology, green building, renewable energy

3.4 Climate Change

Devon views climate change as the single biggest environmental risk. We therefore incorporate our understanding of climate change into our decision making, in order to understand all relevant long-term risks associated with the companies that we own and are analysing.

The climate-related risks and opportunities we have identified over the short, medium and long term include:

- Transition into a low carbon economy: Exclusion of companies involved in extraction of fossil fuel in certain products
- Electrification of vehicle fleets: Overweight in renewable electricity generation companies.
- Incorporate sea level rises in scenario analysis and their impact on infrastructure assets.
- Study impact to agriculture assets from temperature rises and extreme weather patterns due to climate change.
- Carbon pricing: impact on carbon emitting company's profitability.

The associated timescales are as follows:

- Transition to a low carbon economy: In line with New Zealand's zero carbon legislation (2030 and 2050) and its Nationally Determined Contributions to the Paris Climate Accord (2030).
- Electrification of vehicle fleets: Conducting scenario analysis, looking at different adoption rates at 2025, 2030 and 2050.
- Incorporate sea level rises in scenario analysis and their impact on infrastructure assets: 2050 and beyond.
- Study impact to agriculture assets from temperature rises and extreme weather patterns due to climate change: current.

The risks and opportunities associated with climate change will impact companies differently. We make initial assessments using the following methods:

- Business Involvement Screening Research (BISR) screens to identify high risk business activities the companies are involved in, and we will exclude companies that have material portion of their earnings tied to such activities.
- We conduct scenario analysis on impact to high-risk assets and use the findings to form the initial

engagement process with management.

- We assess the financing risk to companies that are materially exposed to business activities that may contain climate related risks and opportunities.

We perform cashflow based analysis to determine the impact to a company's valuation from climate related risk and opportunities. To the extent that we cannot determine the cashflow impact from climate related risks and opportunities, we may incorporate such risks or opportunities into the discount rate.

3.5 Modern Slavery

We have always considered broader Human Capital issues within our ESG framework. More recently much of this has been defined as Modern Slavery. We capture this analysis under social factors. We are an active member of the RIAA Human Rights Working Group to keep up to date with industry best practice. We maintain a commitment to engage with companies operating in conflict zones or in countries where human rights are not respected. We actively look for ways that we can engage with policy makers to implement change from a regulatory perspective.

MSCI evaluates all companies using a social score, we supplement this with our own independent analysis of issues including Labour Management, Health and Safety and Labour Standards. We monitor all portfolio companies, and those under consideration for investment, for Modern Slavery risks. We review all notifications published by regulatory bodies such as The Modern Slavery Register Australia and run a monthly controversy screening which flags any new controversy's a company may be involved in. We review this on a case-by-case basis, which would involve meeting with the company to address the issue and making an informed decision as to whether to divest.

3.6 Exclusions

Whilst Devon does not apply a standard screening or exclusions policy across all portfolios, certain client mandates may require more specific company or sector exclusions from their portfolios. Devon engages with MCSI and other third-party providers to determine company and sector definitions. Devon does not exclude any industry on principle. All our positions on exclusions are the result of an extensive analysis of environmental and social impacts. For certain sectors, this analysis may lead to the exclusion of an entire sector. The below exclusions have been established in line with client requests and are therefore specific to Devon's Sustainability Fund.

Energy

Fossil Fuels

We consider the growth projections of fossil fuel companies to be incompatible with international climate change mitigation objectives. As the fossil fuel exploration and production industry turns toward riskier extraction techniques (e.g. deep offshore, unconventional resources), its environmental and social risk profile is heightened.

Continued oil and coal use over the medium-to-long-term is at odds with the energy transition, so we do not consider companies with substantial revenues from oil or coal eligible for investment. This applies to direct involvement in oil and coal through extraction, processing, refining, and trading. It also applies to companies that sell equipment dedicated to these processes.

Beyond extraction, electricity producers are the main coal consumers worldwide while low carbon electricity sources are becoming more and more cost-competitive. As a result, electricity producers with a high share of coal in their power generation mix (and consequently, ahigh carbon footprint) are also excluded from our investments.

Natural gas is more complex. It can serve as a transition fuel under certain circumstances, but near-complete decarbonization will be necessary over the long term to limit warming to <2°C (in line with the Paris Agreement). While new gas infrastructure may help to lower emissions over the coming years, it may also lead to lock-in effects over time, extending fossil fuel use over the long-term.

Furthermore, the gas supply chain, especially in the context of unconventional extraction, is particularly risky and difficult to manage, with the potential for negative impacts on local environments and high fugitive greenhouse gas emissions, which can negate its climate benefit.

> For companies involved in the exploration, extraction, refining, or processing, or trading of fossil fuels, this applies to companies where more than 10% of business revenue is derived from coal or oil, including unconventional oil and unconventional gas. The Fund will also exclude:
>
> - Companies where more than 50% of business revenue is derived from the production of dedicated equipment or services for the fossil fuel sector.
> - Companies where more than 10% of business revenue is derived from the production of electricity if the company has a generation mix dominated by coal.

Nuclear Power

Nuclear power has a CO_2 footprint equivalent to that of renewable energy sources because fission reactions emit no greenhouse gases. Nonetheless, it is an energy source with risks of its own:

1. The risk of nuclear accidents. Events like Chernobyl and Fukushima have demonstrated that nuclear accidents can take place.
2. Management of nuclear waste. Even after reprocessing, by-products of fission result in radioactive waste that remain dangerous for hundreds of thousands of years.

These risks mean that nuclear power is not appropriate in many contexts. Political stability is essential, a high level of technical know-how, and strong, independent nuclear regulatory bodies are essential.

> We apply a case-by-case analysis of the strategies pursued by actors within the nuclear industry, especially when they are present in countries where the industry is insufficiently monitored.

Health and Addiction

Tobacco-based products and nicotine alternatives

The tobacco epidemic is one of the biggest and most serious global public health threats. The World Health Organisation tobacco kills up to half of its users who don't quit, and more than 8 million people each year, including an estimated 1.3 million non-smokers who are exposed to second hand smoke.

In 2005, the WHO Framework Convention on Tobacco Control (WHO FCTC) came into force. Its main objective is to protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure. Ratified by 174 countries covering 90% of the world's population, the WHO FCTC is a legally binding treaty by which these countries commit to developing and implementing a series of evidence-based tobacco control measures to regulate the tobacco industry, reduce demand for tobacco and provide alternatives to those involved in growing and producing tobacco.

> Exclusion applies to companies with >0% sales from tobacco production, manufacture of nicotine alternatives, and tobacco-based products.

Nicotine alternatives and tobacco-based products include:

> Electronic nicotine delivery systems (ENDS) as defined by the US Food and Drug Administration (e.g. 'vaping' devices, e-cigarettes) alternatively described as nicotine vaping products (NVP)
>
> Dissolvable and non-combustible tobacco products (e.g. nicotine pouches, snuff)
>
> Shisha and water pipes

Alcohol

Alcohol-producing and retailing companies face significant risk related to harmful social effects stemming from their products. The World Health Organisation suggests that alcohol overuse can lead to a wide range of acute and chronic health effects.

However, we consider that certain groups are the most exposed to risks of overuse and negative health effects: consumers of companies' low-end product ranges, consumers in areas where the company has large operations but is subject to limited regulation, and/or young people. We believe that companies with risk management frameworks in place to limit the risks associated with the alcohol use of these consumer groups may be able to substantially reduce their negative social impacts and risk exposure.

Since industry self-regulation is the main force driving mitigation of social risk for companies involved in alcohol production (i.e., large companies mainly act together within industry initiatives to tackle this issue), companies have a major responsibility to promote responsible marketing and distribution practices, tailored to their product ranges and markets.

> Exclusion applies to companies with >10% sales from alcohol manufacturing

Gambling

Gambling companies' business creates substantial social risks, namely addiction and over- indebtedness. We do not consider any company exposed to gambling as having sufficient policies to properly address the social risks linked to their activities.

> Exclusion applies to companies with >10% sales derived from gambling.

Fundamental Rights

Armaments – Controversial Weapons & Nuclear Weapons

In our view, weapons can play a role in both war and peace; they are not excluded on principle. However, although weapons can contribute to peacekeeping, they must not be used capriciously or against civilians.

For this reason, based on international conventions, companies that produce controversial weapons, cluster munitions, or anti-personnel mines are systematically excluded. For other types of weapons, we consider that today, no company in the industry can guarantee that their products will not be exported or re-exported to high-risk, undemocratic countries, where they may be used against civilians.

> Exclusion applies to companies with:
>
> Companies involved in the development and production of biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/sub-munitions and their key components. A >0% revenue threshold applies.
>
> Companies (and their subsidiaries and investments) involved in the development, production and maintenance of nuclear weapons. A >0% revenue threshold applies.

Adult Entertainment

Companies involved in producing and retailing adult entertainment are exposed to high social risk, especially related to human trafficking. We have not identified any companies involved in this industry within our investment universe. Nevertheless, we consider that no company in the sector has developed sufficient policies to properly address its social risks.

> Exclusion applies to companies with >10% sales derived from adult entertainment.

Animal Welfare

Whaling

In 1946 New Zealand was one of the founding members of the International Whaling Commission (IWC), established to manage the world's whale resources and is now considered to be one of the staunchest advocates of whale conservation. Decades of poorly regulated hunting has reduced populations of most of the large whales to low, and in some cases critical levels.

Exclusion applies to any companies involved in Whaling activities.

Governance and International Conventions

UN Global Compact's principles and/or OECD guidelines

Beyond involvement in controversial activities, companies in serious breach of UN Global Compact's principles and/or OECD guidelines for international companies are also excluded on the grounds of problematic practices around human rights, labour rights, environment, business ethics and corruption issues.

Exclusion applies to any companies on human rights watchlists as stated by MSCI.

Other Topics

For abortion, contraception, embryonic stem cells and animal testing, Devon's ESG analysis focuses on key risks linked to each company's products and processes.

3.7 Divestment Timeframe

If a portfolio company, for whatever reason, breaches our exclusions policy, we have 14 days to exit our position.

4. Stewardship Policy

Stewardship aims to promote the long-term success of companies in a way that ultimately benefits all stakeholders including shareholders. We believe that a commitment to effective corporate governance and an adherence to the Stewardship Code is of significant benefit not only to our investments and our investors but also to the wider economy. Stewardship communicates to businesses investors' expectations and is an invaluable tool for understanding and driving long term success.

Stewardship includes voting as well as monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance. Devon is a signatory to the UN Principles of Responsible Investing (PRI) and have adopted their principles, which guides our approach to responsible investing and stewardship initiatives. We will engage with companies across New Zealand and Australia, irrespective of relative weighting across our funds.

4.1 Voting Policies

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. Factors considered include conflicts of interest, transparency, ESG issues, and extraordinary meetings.

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. Devon uses Broadridge ProxyEdge to vote on proxies, and ISS as a proxy voting research provider.

Upcoming proxies are discussed at the weekly ICM. Following the ICM, one of our portfolio managers will review the agenda and assess the voting items. The portfolio manager will use their own research, company resources, and ISS research to reach their voting decisions. A second portfolio manager will perform a secondary review of the meeting information, company resources, ISS research, and their own research to provide secondary approval of the voting decisions. Lastly, our compliance officer will review the votes and approvals before the votes are lodged by our ESG analyst. All votes are recorded by our CRM and our proxy voting register, where we have voted against management recommendation, we will record our rationale for doing so within our records.

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

Conflicts of Interest

Devon is cognisant that conflicts of interest may arise in relation to proxy voting. We classify this as a situation where an employee is in a position to derive personal benefit from actions or decisions made in their official capacity. These could potentially arise where an employee's interests' conflict with the best interests of clients or duties to clients. All staff are subject to our conflicts of interest policy.

Members of the Devon investment team are restricted employees and can only invest in Australasian equities via Group products, this ensures alignment of employees and client interests. Employees who own listed Australasian equities at the commencement of their employment are not required to divest those securities but must declare each security held on their semi-annual Trading Declaration and when commencing employment.

4.2 Engagement Policy

Devon undertakes engagements predominantly on an individual basis and on occasion, collaboratively through networks such as Climate Action 100+, New Zealand Corporate Governance Code, Spring (UNPRI), RIAA, and other opportunities where they arise. In house engagements are carried out through the below process:

Identifying relevant issues

Relevant issues are identified in both a systematic and an ad hoc way. Engagements will occur on an ad hoc basis when our investment team has identified a financially material issue, or an area of interest based on our views.

Our view is that well governed companies are best places to address environmental and social challenges and serve the long-term interests of shareholders. As such, governance issues are a priority for our engagement activities. We typically engage with boards when we see significant issues with companies that we own. We will engage with boards more routinely for companies who host governance roadshows or reach out to investors on a structured basis.

We consider climate change as the single most important environmental risk. Climate change acts as both a material financial long-term risk to companies we own, and to our communities. We therefore engage on decarbonisation systematically across many of the companies we own and consider this engagement part of our own social licence to operate.

We are less prescriptive in how we address social issues of concern. Where we find particular issues, we will engage with companies. This may emerge out of company reporting, inadequate company reporting, controversies in the media, or from several other sources.

Set objectives

Engagements will take the form of meetings, calls, emails, or formal letters. 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. For many of our meetings, emails, or calls, engagement serves as an invaluable tool for information gathering and further understanding. For other meetings, we have firm objectives in place we wish to achieve with the company.

Letters are usually used when we have serious concerns that we wish to communicate in writing to a company. Sometimes, these may be part of an escalation off the back of a meeting with management or the board, where we have felt our concerns have not been adequately appreciated or addressed within our meeting.

Track Results

Measuring

The way we evaluate the successfulness of an engagement with a company is not prescriptive. Engagements will often change our view of a company, either positively or negatively. They may lead to different portfolio positioning. Often when we are after specific information, engagements will provide us with a more well founded and informed view on a topic or issue.

Monitoring

Where we feel that our objectives have not been resolved, we will note this as an unresolved outcome and either continue to track the issue or have further engagements with the company. Findings from engagements always inform investment decision making, and may include escalation strategies, including formal letters to management or the board, collaborative action, or voting against board recommendations, should they be required.

Refer to section 5.3 for details on how we monitor external managers.

Reporting

We provide stewardship reporting through our Annual Sustainability Reports, Quarterly Sustainability Reports, and Monthly Reports. In addition, we provide case studies within this document, and our Stewardship Report (inaugural report due end of 2024).

- Our Annual Sustainability Reports provide an overview of our proxy voting, whether votes were ASX or NZX listed companies and votes for or against management. Available here.
- Our Quarterly Sustainability Report provides an engagement highlight across our Sustainability labelled funds. Available here.
- Our Monthly Reports include either an overview of an engagement or proxy voting activity during the month. Available here.
- Our Stewardship Report will be a review of the effectiveness of our stewardship activities.

5. External Manager Selection and Monitoring

Devon offers three externally managed funds. The Devon Global Impact Bond invests into the Wellington Global Impact Bond Fund, managed by Wellington Management ("Wellington"). The Devon Global Sustainability Fund invests into the Wellington Global Stewards Fund, also managed by Wellington. The Artesian Green and Sustainable Bond Fund (NZD) is managed by Artesian Corporate Bond Pty Ltd ("Artesian").

5.1 Manager Selection

Devon may appoint external managers, when selecting an external manager, Devon takes the following criteria into consideration:

- A sound and disciplined investment process
- Investment style is consistent with Devon's investment philosophy
- Experience and track record
- Access to the investment management team
- Governance and compliance arrangements

Devon has chosen to work with the following external managers:

- Wellington Management Funds (Ireland) plc ('Wellington')
- Artesian Corporate Bond Pty Ltd ('Artesian')

Wellington Management

Devon approached Wellington Management to propose the establishment of two New Zealand PIE funds which would invest in The Wellington Global Impact Bond Fund and The Wellington Global Stewards Fund, which invest in international bonds and international equities respectively.

Wellington Management Company is a private, independent investment management firm with client assets under management totalling over US$1 trillion based in Boston, United States. The firm has more than 2,400 clients in over 60 countries, overseen by 920 investment professionals. Its clients include central banks, sovereign institutions, pension funds, endowments and foundations, family offices, fund sponsors, insurance companies, financial intermediaries, and wealth managers.

Wellington has an impressive reputation as one of the world's foremost investment managers and have taken a strong leadership position in sustainable investment. Devon continues to increase its commitment and resource in providing a diverse array of funds for clients, and the addition of these two Wellington funds, which both enjoy a strong sustainable overlay, acts as a natural complement to Devon's existing suite of retail funds.

Artesian Corporate Bond Pty Ltd

Devon Funds Management (Devon) and Artesian Corporate Bond Pty Ltd (Artesian) launched a NZD PIE vehicle that invests into the Artesian Green and Sustainable Bond Fund (AUT).

Artesian, founded in 2004 by Jeremy Colless, Matthew Clunies-Ross and John McCartney, is a global alternative investment management firm specialising in public and private debt, venture capital, and impact investment strategies. Artesian manages money for government organizations, pension and superannuation funds, insurance companies, corporations and industry groups, financial planners and family offices.

Artesian are a global, absolute return fixed income fund manager focused on relative value opportunities in credit markets. Artesian manage niche strategies with the overriding goal of producing consistent alpha and best in class risk adjusted returns for investors. Artesian are committed to integrating ESG into their investment process with a focus on responsible investment. Artesian has managed specialised funds focused on credit arbitrage and relative-value strategies across global financial markets since 2004 from its New York, London, Singapore, Shanghai, Melbourne and Sydney offices.

5.2 Manager Monitoring

To ensure our external managers are meeting their sustainability and stewardship objectives, and are aligned with our responsible investment expectations, we perform periodic checks across both of our external managers.

Wellington Management

We provide our clients with quarterly reporting on ESG metrics and stewardship examples for both the Devon Global Impact Bond Fund and the Devon Global Sustainability Fund. As part of this process, we receive reporting from Wellington Management that provides engagement spotlights, engagement summaries, emissions data, and net zero target setting data. Our ESG Analyst will review the documents and ensure these align with our expectations, and they are published within our quarterly sustainability reports. These reports are tabled at our ICM.

Proxy voting and engagement for the Devon Global Sustainability Fund and Devon Global Impact Bond Fund are all handled by the underlying manager, Wellington Management.

Artesian Corporate Bond Pty Ltd

On a quarterly basis our ESG Analyst reviews Artesian's Use of Proceeds reports for the top holdings within the portfolio. These are checked to ensure they are in line with the framework set out within the SIPO. This is then presented to the Investment Committee for approval. In addition we receive reporting from Artesian on ESG metrics and engagements, which our ESG Analyst will review to ensure these align with our expectations, and they are published within our quarterly sustainability reports.

Proxy voting and engagement for the Artesian Green Sustainable Bond Fund (NZD) are handled by the respective underlying manager, Artesian.

6. Reporting

6.1 Organisational Level

As a signatory to the PRI, we are expected to report on our activities and progress towards meeting the principles annually. This report is publicly available through the PRI website: https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports

In addition to this, we publish quarterly and annual sustainability reports. Within our quarterly sustainability reports we publish ESG metrics for each of our sustainability labelled funds. We also provide engagement highlights from the quarter for our sustainability labelled funds. Within our annual sustainability report we provide a thorough overview of our sustainability initiatives at a corporate level, our fund offerings, highlights from the year, a proxy voting summary, and engagement examples.

Alongside our public reporting we are happy to respond to our clients' specific requests for information, and invite them to do so through enquiries@devonfunds.co.nz.

We frequently report back to our wholesale and institutional clients on a regular basis, as per their requirements.

6.2 Regulatory Level

Climate Related Disclosures

While we are not currently required to report under the mandatory Climate Related Disclosure (CRD) legislation, we are cognisant that transparency and reporting in this area is evolving so we will be continually looking as to how we can best increase our efforts. Our current focus is on ensuring that we are suitably placed to support our clients with their efforts in this space.

Aotearoa New Zealand Stewardship Code

Devon Funds Management is a founding signatory of the Aotearoa New Zealand Stewardship Code. As part of our commitment to the code we are required to regularly measure, and publicly report periodically on our actions taken to support stewardship and demonstrate how these have contributed to the goals of effective stewardship. Our reporting against the principles of the code will be published in 2024.

RIAA Product Certification

The Responsible Investment Association Australasia's (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. The Devon Sustainability Fund is certified by RIAA.

RIAA's Certification is recognised by investors and consumers, providing confidence that a product and provider is delivering on its responsible investment promise and meeting the Australian and New Zealand Standard for responsible investing.

7. Governance, Monitoring and Review

Our Responsible Investment Policy is reviewed annually or on ad-hoc basis in the face of evolving industry and regulatory best practice. This ensures the document reflects our current beliefs and overall strategy. The Devon Investment Committee (IC) is responsible for ensuring adherence to this policy, and changes to the policy are approved by the IC. We remain accountable for the policy and processes through our regular reporting.