

DEVON FUNDS.

Devon Funds Management Stewardship Report

December 2024

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1. Overview

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

We take our fiduciary duty seriously. We believe that, on behalf of our clients, we have an obligation to ensure that the businesses we invest in conduct themselves in accordance with the highest governance standards. We consider that good management of environmental and social concerns are a core element of high governance 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.

This report sets out Devon’s adherence to the Aotearoa Stewardship Code. It provides information that is in addition to what is discussed across our public reporting on stewardship. Additional reporting includes our Responsible Investment Policy, Annual Sustainability Report, Quarterly Sustainability Report, and monthly reports. Where evidence of our adherence to the Aotearoa Stewardship Code sits within these reports, it is outlined in the appendix of this document. This report will provide further examples of our stewardship initiatives. Examples and proxy voting data relate to the 12-month period between 1st July 2023 to 31st June 2024.

2. Governance

The investment team are wholly responsible for both engagement and proxy voting activities. The Devon investment team is a dedicated team of investment professionals, with extensive experience in the investment industry, both within Australasia and further afield.

Engagements with investee companies are undertaken by the investment team and are overseen by Devon’s Chief Investment Officer. This structure ensures the investment team is cohesive and working towards mutual outcomes.

Proxy votes are voted on and approved by two portfolio managers, and approved by our compliance officer.

Importantly, engagements and proxy votes are discussed at weekly Investment Committee Meetings (ICMs), ensuring all investment staff are involved in discussion and the decision-making processes. By having all members of the investment team involved in both engagements and proxy voting creates opportunity for debate, shared knowledge, and ultimately a consistent and unified view.

The relevant experience of our investment team and compliance officer, as the team involved in our stewardship efforts, is detailed below:

- **Slade Robertson, Managing Director & Portfolio Manager**

Over 20 years’ industry experience

Slade has overall responsibility for Devon Funds Management. In addition to the role of Managing Director he is responsible for stock selection and portfolio construction for Devon’s Alpha and Australian funds. He also contributes to the stock selection and portfolio construction for the Trans-Tasman strategies. Before joining Devon, Slade held investment roles at Brook Asset Management, BT Investment Management, Challenger International and BNP Paribas in Australia. Slade is a CFA charter holder.

- **Mark Brown, Chief Investment Officer & Portfolio Manager**

Over 20 years’ industry experience

Mark has primary responsibility for stock selection and portfolio construction for clients’ Australasian Equity Core portfolios and New Zealand Equity funds. Mark is also responsible for overseeing the overall research and investment process at Devon. Prior to joining Devon, Mark was the Australasian Head of Equities at ANZ New Zealand Investments. Mark is a CFA charter holder.

- **Tama Willis, Portfolio Manager**
Over 15 years' industry experience

Tama joined Devon in 2012 after a very successful career overseas where he held positions at Government of Singapore Investment Corporation as Senior Vice President, Natural Resources, Fidelity (London) and Deutsche Bank (London). Tama has primary responsibility for stock selection and portfolio construction for the Trans-Tasman Fund. Tama also has primary research responsibility for the Metals and Mining, Oil and Gas and Financials sectors.

- **Ben Jenkin, Portfolio Manager**
4 years' industry experience

Ben has primary responsibility for stock selection and portfolio construction for Devon's Sustainability strategy. Prior to joining Devon, he was an Analyst in KPMG's Deal Advisory division. Ben graduated from the University of Otago with majors in Accounting and Finance. Ben is a CFA charter holder.

- **Patrick Washer, Portfolio Manager**
4 years' industry experience

Patrick has primary responsibility for stock selection and portfolio construction for Devon's Dividend Yield strategy. Prior to joining Devon, was an analyst at Rank Group. Patrick graduated from Waikato University with majors in Mathematics and Finance and is also a CFA charter holder.

- **Alice Jones, ESG Analyst**
3 years' industry experience

Alice is responsible for company ESG research as well as measuring and reporting on ESG factors to retail and wholesale clients. She is actively involved with company engagements and Devon's stewardship initiatives within the New Zealand and Australian markets. Alice joined Devon's investment team from the operations team. She holds a Bachelor of Science from the University of Auckland.

- **Chris Knight, Compliance Officer**
Over 10 years' industry experience

Chris has considerable risk and compliance experience across top UK law firms as well as stakeholder and relationship management experience. Chris holds a Bachelor of Arts: Politics, Master of Arts: International Relations from University of East Anglia and a Graduate Diploma of Law qualification from BPP Law School in London.

a. Code of Conduct

All staff are subject to our Code of Conduct Policy which sets out the expectation of staff to act legally, ethically and with integrity in a manner consistent with our policies, guiding principles and values. It ensures we act in the best interest of our clients, undertake our duties with care and diligence, and conduct ourselves in a way that demonstrates honesty and integrity.

b. Remuneration and Stewardship Incentives

Staff salaries are determined with reference to prevailing market remuneration practices. Compensation also comes from the bonus pool and is directly tied to the performance of funds/portfolios and business performance. Several funds have performance fees so that the firm and client incentives are aligned.

Devon believes that stewardship is directly tied to better returns, and that this can be achieved when we invest in companies that are good corporate citizens.

3. Stewardship Activities

Devon conducts stewardship through engagement and proxy voting. Factors considered across both engagement and proxy voting are broad, including, but not limited to, the below topics:

- Board composition
- Board remuneration
- Company strategy
- Company structure
- Cyber security
- Decarbonisation
- Employee conditions
- Environmental impacts
- Executive remuneration
- Financial information
- Financial outlook
- Gender diversity
- Harm minimisation
- Iwi partnerships
- Management capabilities
- Market share
- Modern slavery
- Over boarding
- Regulatory and legislative issues
- Safety
- Social license
- Traditional owner relationships
- Workplace sexual harassment

a. Engagement

Engagement is typically with the CEO, CFO and/or other senior management and may take the form of face-to-face meetings, phone conversations, or written communication. 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, member contribution, and tenure.

Meetings with senior management or boards are typically organised on an ad hoc basis when the investment team is researching new companies, when we have immediate issues of concern, or following written communication. Additionally, we routinely meet with management post results, and boards as part of annual governance roadshows. At all meetings, minutes are taken by a member of our investment team, which are then shared amongst all members of the team. When topics are specifically related to ESG concerns, we log these in our engagement register.

Engagements with management and boards helps us to form a view of the companies we are invested in, or are looking to invest in. All engagements are discussed at the weekly ICM or the bi-weekly ESG ICM. Based on these discussions, portfolio positioning is discussed and where our view on a company has changed, we may change our position size or divest.

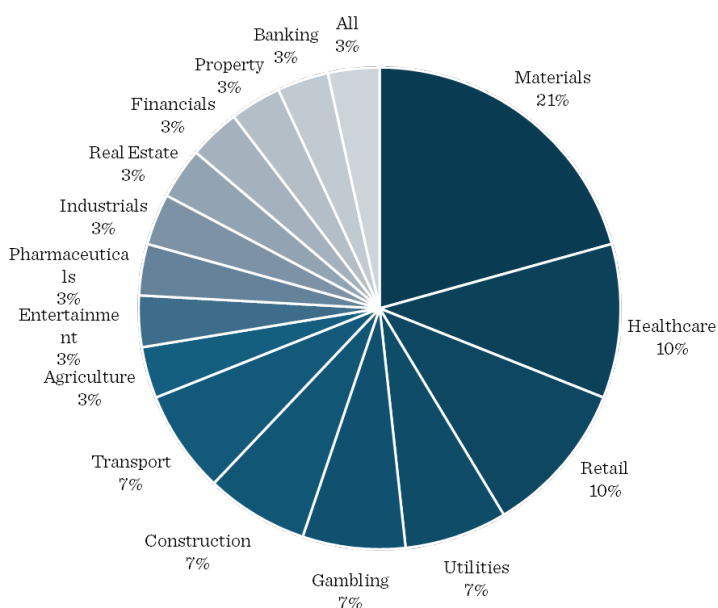
Whilst it is hard to claim company progress and strategic changes are directly correlated to our engagements, we believe our active and consistent engagement with companies has had a cumulative impact, alongside public pressure, political and regulatory pressure, and feedback from other investors. For example, for over four years we have engaged with Genesis Energy's management and board regarding their transition away from fossil fuels. Given they operate both a coal fired power plant in Huntly and have a 46% interest in the Kupe oil and gas field, and their competitors are either 100% renewable or close to it, it is a material ESG issue for the company. The issue is difficult to unravel given New Zealand's need for an alternative fuel source when weather conditions do not favour our renewable assets. There is currently no biomass (an alternative to coal) available at scale with security of supply. Despite this, we actively engage with management and the board to ensure that there is still momentum towards biomass as a solution. Our most recent meeting was with the Chair and a director on the board where we discussed these issues, and why the market was not pricing in their opportunity for uplift. We discussed our view, and the willingness of the market to invest in 'dirty' assets when they can easily invest in 'clean' assets. This provides Genesis insight into how the wider market views the company so this can be factored into their strategy.

In addition to our own company engagements, Devon also participates in collaborative engagement activities, recognising the impact of collaborative stewardship efforts. We are members of Climate Action 100+ which is an investor-led initiative to collaborate to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Devon sits within the collaborative engagement group for Woolworths. We

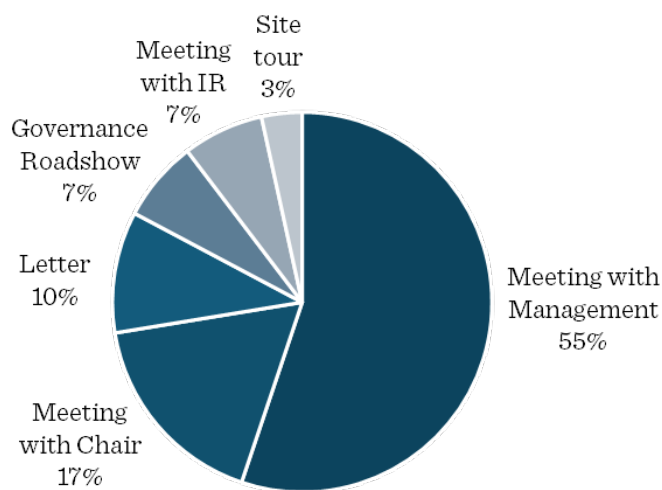
are now in our second collaborative engagement with Woolworths. Our first engagement with Woolworths led to the company improving their lighting and refrigerators to more efficient alternatives, along with reducing the amount of packaging used and some other general supply chain improvements. In early 2024 we had the opportunity to meet with Bel Quince, Woolworths' GM of Planet. Bel Quince is new to the role and will lead all initiatives on climate, TNFD, food waste, and animal welfare. We discussed decarbonisation with a focus on agriculture, which relates to Bel's career background, and the cost of transition. We also discussed scope 3 emissions and getting to a 1.5-degree pathway, which is a key focus for her team. Our next engagement will be discussing in more depth remuneration and climate governance and capex/decarbonisation, which is a Climate Action 100+ benchmark indicator.

The Principles for Responsible Investment (PRI) have recently launched 'Spring', an investor stewardship initiative addressing the financial risks of biodiversity loss by 2030. Devon is proud to be one of the collaborating investors in this initiative, alongside 200 other investors that represent \$15 trillion in assets. The initiative is focussed on engagements with 60 key global companies, and Devon is part of the collaborative engagement group for the company South32. We look forward to reporting on progress within this group in the future.

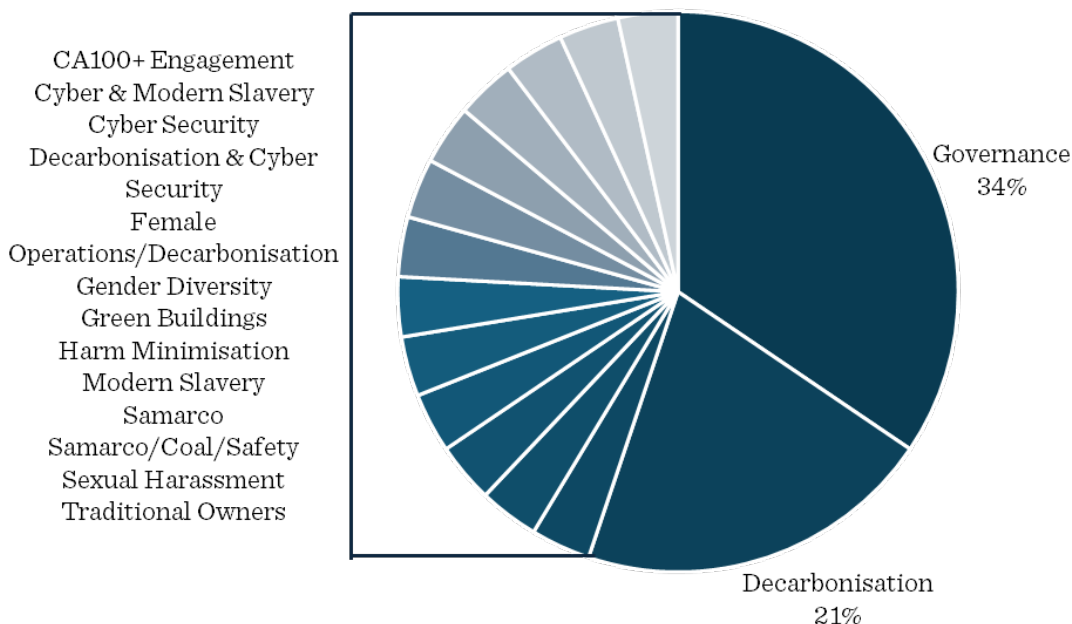
Engagements by Industry



Engagement Method



Engagement Themes



b. Proxy Voting

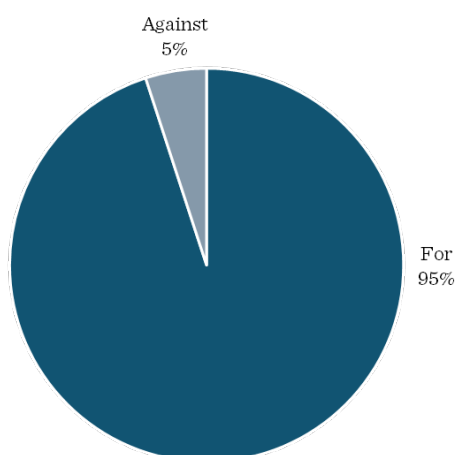
We are advocates for strong corporate governance structures, shareholder rights, and transparency. We vote on all proxies on behalf of clients, unless the client has a preference to vote these proxies themselves. The objective in voting is to support proposals and director nominees that maximize the 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. We use ISS research to supplement our own research.

Upcoming proxies are flagged at the weekly ICM. Following discussion, a portfolio manager will review the motions requiring a vote. They will use their own research, company resources, and ISS research to reach their voting decision. A second portfolio manager will complete a secondary review to provide secondary approval of the voting decisions. Lastly, our compliance officer will review the votes and secondary approval before the votes are lodged by our ESG analyst. All votes are recorded in Salesforce and our proxy voting register, in which comments are provided when we have voted against management recommendation.

Between 1st July 2023 and 30th June 2024 we voted on 68 company proxies, and 359 motions.

Votes For/Against



An example from within the period of where we have voted against managements recommendation was a vote against the climate transition action plan and 2023 progress report for Woodside Energy. Our vote was in line with the ISS recommendation and related to the climate transition plan and progress report not seeming to be sufficiently rigorous on their aspirations to reduce Scope 1 and 2 Emissions. The plan also did not include a plan to reduce Scope 3 emissions.

4. Incorporation of Material ESG Matters

The investment team are acutely aware of new and emerging ESG matters that may present material challenges for our investments, as well as alter our investment beliefs and values. In practical terms, we are active participants in industry responsible investing events and working groups. We have a dedicated ESG analyst who sits within our investment team. Additionally, across the investment team we are up to date with policy updates, current events, company reporting, sell-side research reports, releases from dedicated responsible investment organisations (RIAA, PRI, MSCI etc.), and academic research where relevant. Remaining aware of new and emerging ESG matters that may present material challenges for our investments is part of managing both the risks to any company we own, and material opportunities. This is an important part of our fiduciary duty to our clients and beneficiaries.

Devon views climate change as the single biggest environmental risk globally, with extreme consequences for society. We therefore view decarbonisation as a priority across all our investments. We do not take an exclusion-based approach across our portfolios, rather we use stewardship as our primary approach to addressing decarbonisation. To date, this has predominantly taken the form of engagement with issuers on the topic of decarbonisation. Climate related proxy votes have been uncommon across the companies we own. Where climate related proxy votes have arisen, we have made a considered vote on these motions. Our most recent vote related to climate was a vote against the climate transition action plan and 2023 progress report for Woodside Energy as it did not seem sufficiently rigorous on the aspiration to reduce Scope 1 and 2 emissions and had no programme to reduce Scope 3 emissions.

Whilst climate change is our predominant focus for long term systematic ESG matters, we also actively respond to new information related to ESG matters. For example, where governance related concerns emerge, we will engage with management or boards as and when they happen and take further action if required. Earlier this year in February we met with Fletcher Building's Chair and discussed our governance concerns regarding both the CEO and the Chair stepping down amidst several issues including the Iplex pipes issue. Given the decision had already been made for the CEO and Chair to step down, the engagement was more a case of expressing our view and concerns, further understanding the situation the company was in, and how the incoming CEO and Chair would be chosen. Prior to this meeting we had reduced our position in the stock to underweight. Nothing from our meeting with the Chair gave us enough confidence to reinstate our overweight and we maintain our current position. We have continued to monitor this situation which has led to further engagements and a formal letter to the Acting Chair.

As part of our investment process, we perform a monthly ESG controversy screening across all our funds and look to incorporate this into our stewardship initiatives. For example, the Samarco dam failure continues to be flagged in our controversy screening with respect to BHP. The event was a collapse of the Fundão dam in south-east Brazil that released about 50 million cubic meters of toxic waste that killed 19 people and displaced at least 500 others. The Devon investment team have engaged with BHP on the issue within the relevant 12-month period in both November 2023 and March 2024. These conversations were centred around the ongoing court cases related to the disaster in both the UK and Brazil, and the extent to which settlement has been reached. The result of the court cases will have a financial impact for BHP but will ultimately bring closure for the thousands of people impacted by the disaster. We have been satisfied to date with the progress BHP has made regarding settlement. We are however alert to the possibility of an unexpected outcome that may be financially material; therefore, we continue to engage.

We review our stewardship priorities on a rolling basis, subject to new research insights and emerging themes. We proactively address any issues we identify, and reactively respond to new and evolving issues. In addition, on an annual basis Devon sends out a survey to the NZX 50 companies to get a sense across the whole market on a topic that relates to our investment beliefs and purposes, as well as our values. In the past we have surveyed the market on the topics of TCFD and whether ESG related issues are considered within KPI's for their CEO's. This year, Devon was a signatory to an industry letter calling on the New Zealand Government to enact robust modern slavery legislation that includes due diligence requirements. Devon signed this letter alongside 11 other Fund Managers and Community Trusts and peak bodies IAST APAC and RIAA. Whilst this signals our support of robust legislation to the government, we also sought to engage with our investee companies. This year our annual disclosure survey to the NZX 50 focussed on modern slavery. We have discussed the results of this survey within our [Quarterly Sustainability Report – Q3 2024](#).

a. Incorporating a Te Ao Māori Worldview

Our commitment to Responsible Investment is aligned with values such as Kaitiakitanga, as it is at the core of our role as investors and stewards. We manage savings and retirement funds that may not be accessed for decades, and therefore we recognise our duty to our clients and beneficiaries to engage with issuers on material ESG matters given their fundamental importance to long term societal impacts. We look at the companies we invest in with a wide lens, that encapsulates the communities that they operate in, the customers they serve, the staff they employ, or the land they operate on. They do not exist in isolation from these things.

In early 2023, our Group (the Investment Services Group) was able to further strengthen its ESG product offering with the addition of the TAHITO Te Tai o Rehua Fund. The Fund is an indigenous ethical and sustainable fund which uses positive ESG integrated screens in selecting investments. Māori indigenous values and principles serve as the foundation to the Fund's philosophy and investment selection process. The fund is offered by our group in partnership with investment firm [TAHITO Limited](#).

In 2024, we have looked at ways to imbed Te Tiriti o Waitangi into 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 the 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.

5. Effectiveness and Measurement

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, possibly leading to different portfolio positioning. Often when we are seeking specific information, engagements will provide us with a more well founded and informed view on a topic or issue.

The effectiveness of our stewardship efforts is ultimately reflected in our performance. We strive to invest in companies that exemplify the best corporate governance practice, and we view effective management of social and environmental issues as fundamental to governance best practice. This is because we believe our stewardship efforts drive better returns for shareholders, and our investors.

6. External Managers

Devon offers three externally managed funds. The Devon Global Impact Bond Fund 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) invests into the Artesian Green and Sustainable Bond Fund (AUD), managed by Artesian Corporate Bond Pty Ltd (“Artesian”). Each of the underlying managers is responsible for their own proxy voting and engagements. However, 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. These are detailed within our [Responsible Investment Policy](#).

7. Reporting

Devon reports on stewardship efforts across our [Monthly Reports](#), [Quarterly Sustainability Reports](#), and [Annual Sustainability Reports](#). Our stewardship policy sits within our [Responsible Investment Policy](#). Examples have also been provided throughout this Stewardship Report.

Externally, we report on stewardship to the PRI, and RIAA as part of our certification for the Devon Sustainability Fund which looks at our internal processes that apply firm wide. Our proxy voting records are available on our website for the Devon Sustainability Fund, as part of our RIAA certification, however most companies in the fund are also held across the firm.

Our Stewardship Report demonstrates the ways in which we have met the principles and requirements of the Aotearoa Stewardship Code.

In addition, we share our stewardship work with our clients, beneficiaries, and general public to improve awareness of stewardship. We do this through our public reporting on a monthly, quarterly, and annual basis, as well as on our social media channels, predominantly LinkedIn.

Appendix: Aotearoa Stewardship Code Mapping

| Principle | Requirements | Key topics | Pages/Document Reference |
|-------------|---|--|---|
| Principle 1 | <i>Signatories will establish and publicly articulate how their investment philosophy, governance structures and resourcing support the goals of effective stewardship.</i> | <ul style="list-style-type: none"> Organisations values, purpose, governance Fiduciary duty Oversight and accountability Resourcing, incentives, remuneration Effectiveness (in meeting goals of stewardship) | Section 1, 2, & 5 |
| Principle 2 | <i>Signatories will develop and implement measurable and effective stewardship policies.</i> | <ul style="list-style-type: none"> Purpose, priorities, and approach Scope and standards Integration (into investment process) Accountability (for policies and processes) | Section 2, 3, Responsible Investment Policy Section 4 |
| Principle 3 | <i>Signatories will incorporate material ESG matters in their investment decision making, to seek to achieve the goals of effective stewardship.</i> | <ul style="list-style-type: none"> Materiality and focus Systemic risk management Incorporate material environmental, social, and governance matters Consider stewardship from a Te Ao Māori worldview | Section 4 |
| Principle 4 | <i>Signatories will engage regularly and effectively with underlying asset managers, issuers, and other key stakeholders.</i> | <ul style="list-style-type: none"> Who with, and who by Methods and processes Escalation Reporting (activities and outcomes) Legal environment and cultural norms | Responsible Investment Policy |
| Principle 5 | <i>Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.</i> | <ul style="list-style-type: none"> Policy and principles Exercise voting rights Maintain and disclose voting decisions and outcomes | Section 3b, Annual Sustainability Report |
| Principle 6 | <i>Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing conflicts of interest that do arise.</i> | <ul style="list-style-type: none"> When a conflict of interest exists Conflict of Interest Policy Compliance Identification and mitigation Review Disclosure | Responsible Investment Policy |
| Principle 7 | <i>Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, index providers, standard setters, and other key stakeholders.</i> | <ul style="list-style-type: none"> Benefits Collaboration Drawing upon the experience of others Disclosure | Section 3 |
| Principle 8 | <i>Signatories will regularly measure and publicly report on their actions to support stewardship and demonstrate</i> | Public reporting and disclosure: <ul style="list-style-type: none"> Stewardship policies and practices | Section 6, Annual Sustainability Report , Quarterly |

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| | <i>how these have contributed to the goals of effective stewardship.</i> | <ul style="list-style-type: none"> • Regular (and at least annual) stewardship report (activities and outcomes) • Performance against the Code and the goals of effective stewardship | Sustainability Reports |
| Principle 9 | <i>Signatories will work to improve their clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.</i> | Periodic review of: <ul style="list-style-type: none"> • Capacity, resources, and capabilities • Stewardship policies and practices • Effectiveness • Third-party review, verification, and assurance | Responsible Investment Policy |