

# **DEVON FUNDS.**

## **Devon Funds Management Responsible Investment Policy**

**March 2026**

## Schedule of changes

Version	Date of Change	Description of Key Change(s)	Author
2	March 2023	<ul style="list-style-type: none"> <li>Grammar and formatting updates.</li> <li>Update in disclosure survey information, RIAA membership number, and Climate Action 100+ engagement initiative to ensure this is up to date and accurate.</li> <li>Non-material updates to information on processes.</li> </ul>	Alice Jones
3	March 2024	<ul style="list-style-type: none"> <li>Grammar and formatting updates.</li> <li>Various updates to ensure up to date information on industry bodies and collaborative groups.</li> <li>Addition of “Part 5: External Manager Selection and Monitoring” section.</li> <li>Addition of “Part 6: Reporting” section.</li> <li>Addition of “Part 7: Monitoring and Review” section.</li> <li>Changes to definitions for tobacco and armaments exclusions.</li> </ul>	Alice Jones
4	October 2024	<ul style="list-style-type: none"> <li>Updates to “Part 4: Stewardship Policy” section, in accordance with the Aotearoa Stewardship Code</li> <li>Updates to “Part 6: Manager Selection and Monitoring” section to include stewardship objectives</li> </ul>	Alice Jones
5	December 2025	<ul style="list-style-type: none"> <li>Updated PRI scores</li> <li>Addition of participation in CA100+ collaborative engagement with Wesfarmers (WES.ASX)</li> <li>Details regarding the screens we use for our exclusions</li> </ul>	Alice Jones
6	March 2026	<ul style="list-style-type: none"> <li>Change to business ownership details</li> <li>Changes to reflect Josh Wilson joining the Devon Investment Team as CEO, with Slade Robertson becoming Chair</li> <li>Simplification of section related to exclusions</li> </ul>	Alice Jones

## Document Approval

Version	6
Approved By	Investment Committee: <ul style="list-style-type: none"> <li>Josh Wilson, Chief Executive Officer &amp; Portfolio Manager</li> <li>Mark Brown, Chief Investment Officer &amp; Portfolio Manager</li> <li>Slade Robertson, Chair &amp; Portfolio Manager</li> <li>Tama Willis, Portfolio Manager</li> <li>Ben Jenkin, Portfolio Manager</li> <li>Patrick Washer, Portfolio Manager</li> <li>Chris Knight, Compliance Officer</li> <li>Alice Jones, ESG Analyst</li> </ul>
Date Approved	19 <sup>th</sup> March 2026

## Contents

<b>1. Introduction and Approach</b> .....	4
1.1 Introduction.....	4
1.2 Our Values.....	4
<b>2. Investment Guidelines and Objectives</b> .....	5
2.1 Investment Philosophy.....	5
2.2 Investment Process.....	5
<b>3. Responsible Investment &amp; ESG Incorporation</b> .....	7
3.1 Overview.....	7
3.2 Investment Beliefs.....	7
3.3 ESG Integration.....	7
3.4 Climate Change.....	8
3.5 Modern Slavery.....	9
3.6 Exclusions.....	9
3.7 Divestment Timeframe.....	9
<b>4. Stewardship Policy</b> .....	10
4.1 Voting Policies.....	10
4.2 Engagement Policy.....	10
<b>5. External Manager Selection and Monitoring</b> .....	12
5.1 Manager Selection.....	12
5.2 Manager Monitoring.....	13
<b>6. Reporting</b> .....	13
6.1 Organisational Level.....	13
6.2 Regulatory Level.....	13
<b>7. Governance, Monitoring and Review</b> .....	14

# 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 \$2.5 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.

Devon is a wholly owned subsidiary of the Investment Services Group (ISG), which is now backed by EFG International, a global private banking group headquartered in Zurich, Switzerland and listed on the Swiss Stock Exchange. The strong and stable team has remained in place throughout. The Devon Investment team 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 equity 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 Gold 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 a sustainability policy statement;
- Understand the scope of our Environmental Management System (EMS);
- Exhibit ongoing compliance 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 ongoing engagements with Woolworths (WOW.ASX) and Wesfarmers (WES.ASX), both of which we have chosen given the businesses have large and complex supply chains. We view collaboration with these companies as a strategic opportunity to influence and implement systemic improvements within supply chains.

Additionally, we have been a signatory to the United Nations supported Principles for Responsible Investment (PRI) since inception. 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 – 85%

Indirect - Listed Equity- Active – 94%

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, regular access to executive management and industry contacts are 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 that 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 monthly ESG ICM in which we discuss specific ESG issues, obligations as a signatory to industry groups, engagement activities, and upcoming reporting.

Risk analysis is an extremely important part of our investment process. 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 are also very conscious of liquidity and prefer companies that are large and liquid. We perform an annual assessment of days to liquidate portfolio positions across our retail funds, using historical data. Portfolios are 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 typically 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 is detailed in the Exclusions section (3.6) of this document.

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 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.

### **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, Devon has an obligation to consider all types of non-financial 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 monitor changes with regard to ESG factors. 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 construction, remuneration, ownership
- 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 risks associated with the companies that we own and are analysing.

The climate-related risks and opportunities we have identified 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 risks and opportunities associated with climate change will impact companies differently. To assess this, we can use reporting produced by companies, for example Task Force on Climate-related Financial Disclosures (TCFD) reports, Climate Related Disclosures (CRD) reports, Australian Sustainability Reporting Standards (ASRS) reports, and Sustainability reports. We can also form a view using research from sell-side research analysis, media reporting, regulatory reporting, industry research, and MSCI screens such as Business Involvement Screening Research (BISR), and revenue attribution to fossil fuels.

### 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 a 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 run a monthly controversy screening which flags any new controversies 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

The exclusions outlined below relate to the Devon Sustainability Fund. Details regarding the screens we use for our exclusions are included in the appendix of this document.

The 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 or processing of fossil fuels<sup>1</sup>. 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<sup>2</sup>, production and manufacture of tobacco and tobacco-based products or nicotine alternatives<sup>3</sup>, and any company involved in whaling activities or on human rights watchlists as stated by MSCI.

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>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

### 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. The UN Principles of Responsible Investing (PRI) 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 placed 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 success 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 5.2 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.

- 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 is a review of the effectiveness of our stewardship activities. Available [here](#).

## 5. External Manager Selection and Monitoring

Devon currently 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
- Alignment with our investment values and policies

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](mailto: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 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.

## **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.

## Appendix A: Exclusions – MSCI Screening Factors

Issue	Exclusions	MSCI Screening Factors
Fossil Fuels	<p>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</p> <p>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.</p>	<p>Fossil Fuels - Any Tie            &gt;=50% revenue: gas involvement            Thermal Coal - Any Tie            Thermal Coal Mining - Involvement - 10%            Thermal Coal - Revenue Key            Thermal Coal - Revenues comments            Conventional O&amp;G - Maximum % of revenue            Unconventional O&amp;G - Maximum % of revenue            O&amp;G - Equipment and Services - Maximum % of revenue            O&amp;G - Extraction and Production - Maximum % of Revenue            O&amp;G - Petrochemicals - Maximum % of revenue            O&amp;G - Pipelines and Transportation - Maximum % of revenue            O&amp;G - Refining - Maximum % of revenue            O&amp;G - Trading - Maximum % of revenue            O&amp;G Related Activities - Maximum % of revenue            O&amp;G Distribution / Retail - Maximum % of revenue            Metallurgical Coal - Maximum % of revenue            Metallurgical Coal - Comments</p>
Tobacco	Applies to companies with >0% sales from tobacco production, manufacture of nicotine alternatives, and tobacco-based products.	<p>Tabacco Distributor            Tobacco Producer            Tobacco Supplier</p>
Alcohol	Applies to companies with >10% sales from alcohol manufacturing	Business involvement screening
Gambling	Applies to companies with >10% sales derived from gambling	Business involvement screening
Armaments	<p>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 &gt;0% revenue threshold applies.</p> <p>Companies (and their subsidiaries and investments) involved in the development, production and maintenance of nuclear weapons. A &gt;0% revenue threshold applies.</p>	<p>Controversial Weapons - Any Tie</p> <p>Nuclear Weapons - Any Tie</p>
Adult Entertainment	Applies to companies with >10% sales derived from adult entertainment.	Business involvement screening
Governance and International Conventions	Exclusion applies to any companies on human rights watchlists as stated by MSCI	<p>Controversy Screening            Global Compact Compliance</p>

MSCI Business Involvement Screening Methodology – [linked here](#).

MSCI ESG Screened Indexes Methodology – [linked here](#).