

DEVON

Equity Management

## **Due Diligence Policy**

## Document Governance

Document owner

Name	Role
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## **Pre-investment Policy relating to Article 8 Funds (SFDR)**

This policy on due diligence on investments sets out the basis upon which Devon will comply with its obligations under applicable CSSF regulations to ensure a high level of diligence in the selection and ongoing monitoring of investments on behalf of the sub-funds of Devon Equity Funds SICAV that are currently classified under Article 8, SFDR.

Specifically, Devon has established policies and procedures enabling it to ensure that:

- it employs a high level of diligence in the selection and ongoing monitoring of investments in the best interests of the Funds.
- it has adequate knowledge and understanding of the assets in which the Funds are invested.
- it will ensure that investment decisions on behalf of the Funds are carried out in compliance with the stated objectives, investment strategy and risk limits of the Funds concerned.
- it considers sustainability risks when implementing the Policy.

Devon recognises that governance factors have a material impact on the long-term performance of investee companies. The pre-investment due diligence process undertaken by the investment manager includes assessment of factors such as the investee company's business strategy, acquisitions and disposals, capital raisings and financing operations, risk management, culture, employee relations, management structures, board effectiveness and succession, board composition and diversity, shareholder rights, corporate responsibility, sustainability, tax compliance, and remuneration of staff to ensure that the Sub-fund invests only in companies with good governance practices.

Devon shall verify that investee companies adhere to good governance practices and have the ability and capacity to govern reliably, professionally and effectively. The below describes the factors Devon considers when determining if company does not follow good governance practices. This forms part of pre-investment and ongoing due diligence.

Devon conducts prudent assessments of sound management structures and shareholder rights. Devon carefully evaluates the board composition and effectiveness, considering factors such as the separation of CEO and Chairman roles, gender and ethnic diversity, conflicts arising from appointments, structure of committees, and the independence of directors. Devon further considers and carefully evaluates the structure of voting rights, taking into consideration potential discrepancies from ownership weights. Special attention is given to companies with foundation, non-profit, or family-based ownership models. Devon remains cognisant of the alignment of significant shareholders with the fund manager's intended policies and outcomes.

Devon diligently examines sustainability practices and corporate culture, including assessing the integrity of the management team, employee remuneration and levels of employee safety and satisfaction. The firm also considers various aspects such as the quality of raw materials, supply chain practices, investments in the workforce, and the quality of products or services. Devon carefully evaluates the commitment of potential

investments to key principles, including the prevention of child labour and modern slavery and ensuring that investments within its portfolio are not in violation of UN Global Compact principles and have sufficient processes and compliance mechanisms to monitor compliance with UN Global Compact.

Devon carefully evaluates the tax structure of potential investments both prior to and during the investment period. It also assesses whether the company adheres to standard industry best practices with regard to taxation. Devon strongly advocates for responsible tax practices and disapproves of any unlawful tax activities.

Devon requires investee companies' management teams to allocate and manage capital in the best interests of shareholders. Devon shall carefully evaluate any capital raisings, financing operations, acquisitions or disposals in line with the intended promotion of the environmental characteristic of the fund. For acquisitions, the management is required to demonstrate that the expected return meets or exceeds the company's cost of capital, as per pre-defined criteria. Disposals are evaluated based on their strategic alignment with the company's growth strategy and efficiency.

Devon's policy on capital raising in the primary market is that it must unequivocally target investment that ensures long-term viability.

Devon will formulate forecasts and perform analysis concerning each investee company's contribution to the Funds' portfolio composition, liquidity and risk and reward profile before carrying out an investment. These analyses will be undertaken on the basis of reliable and up-to-date information, both in quantitative and qualitative terms.

Devon recognizes that the risk profile of investee companies is contingent on their specific activities. For companies engaged in higher-risk operations, the firm conducts a comprehensive assessment, ensuring that the level of risk is commensurate with Devon's overall investment strategies.

This Policy shall be reviewed at least annually by the Devon Board.