

## **Introduction**

At Lakehouse Capital, our goal is to foster ESG initiatives, both from an investment research and a company-wide perspective. We believe a high standard of corporate behaviour as well as a responsible approach to social, environmental and governance issues makes good business sense for our investors, our employees and the wider community we are a part of.

### **1. Lakehouse Capital: ESG Policy as it relates to investment research**

The assessment of business quality is a central tenet of Lakehouse's investment process. Our research process includes the assessment of businesses which closely align with long-term value creation and meet our philosophy of seeking opportunities with asymmetric outcomes and backing these opportunities with high conviction. We recognise that ESG factors are an important consideration for investors, and that ESG-related risks play a significant role in understanding the underlying risk profile of potential and current investments.

Lakehouse's investment philosophy is geared toward the long-term with a core focus on asymmetric outcomes, and we believe environmental, social, and governance factors play an important role in evaluating risk and return metrics over our preferred investment horizon.

#### **1.1. ESG in the context of the Lakehouse Capital investment process**

ESG considerations form part of Lakehouse's core investment process. The investment process for both the Lakehouse Small Companies Fund and the Lakehouse Global Growth Fund does not involve the use of ESG related positive or negative screens nor does it adopt a specified ESG-led thematic or impact investment approach. However, our proprietary checklist process involves the consideration of ESG-related risks while evaluating the overall risk profile of a potential investment. Further, we aim to include ESG-related opportunities and risks as they relate to a company's relationships with its various stakeholders as part of our detailed investment thesis on a stock. This identification of ESG-related risks and opportunities associated with a company's operations must be completed by the covering analyst for every prospective holding as part of our investment process. Where we identify Environmental, Social, and Governance considerations that may have a material impact on the value of an investment, they are subject to peer review/discussion.

The sources of ESG research are broadly similar to those utilised for our fundamental business analysis including company filings (including sustainability reports), suppliers, customers, media, brokers, and investment reporting systems.

Like all factors contributing to our view on a business, our ESG assessment requires continual monitoring and review. New information from a company, its customers, suppliers, competitors,

regulators and other stakeholder groups can, and does, impact our view of ESG as it relates to business quality.

## **1.2. Engagement and Proxy Voting**

We routinely seek to engage with companies on a broad range of issues including ESG considerations as appropriate. We regularly engage with senior management and / or investor relations teams across the companies held in our funds, highlighting areas that concern shareholder governance or best practice. We are pragmatic in this approach, recognising that our ability to have direct engagement is often reflective of the company size and our ownership position. We see ourselves as stewards of our investors' capital, and by virtue of having an ownership position, we see it as important that we put such issues on record.

We also see the exercise of voting rights as an important aspect of our investment management process and ability to positively influence corporate governance. Lakehouse routinely votes on all company resolutions where we have the authority to do so. Lakehouse uses Broadridge's ProxyEdge platform as a proxy voting management tool and also utilises Egan Jones as an advisory resource for proxy voting. We have an in-house Proxy Committee that takes Egan Jones' advice into account during the decision-making process. However, Lakehouse considers all votes individually on their own merits and will vote counter to Egan Jones' advice if we believe doing so is in the best interests of long-term shareholders and our investors. Key resolutions relating to a position are documented under Lakehouse's proprietary Proxy Voting database along with an explanation of why the Proxy Committee chose to vote in a particular manner for a given resolution.

Lakehouse maintains a strong sell discipline in relation to portfolio holdings which no longer meet our investment criteria. This includes the consideration of ESG issues, particularly where we become aware of new information that materially changes our assessment of ESG risk.

## **1.3. United Nations' Principles for Responsible Investment (UNPRI)**

Lakehouse is a signatory to the UNPRI. Lakehouse recognises the PRI as a leading global framework to assist investors in considering ESG issues.

The principles are voluntary and aspirational and oblige signatories to: 1. Incorporate ESG issues into investment analysis and decision-making processes; 2. Be active owners and incorporate ESG issues into ownership policies and practices; 3. Seek appropriate disclosure on ESG issues by the entities in which they invest; 4. Promote acceptance and implementation of the principles within the investment industry; 5. Work collaboratively to enhance the effectiveness in implementing the principles; and 6. Report on activities and progress towards implementing the principles.

## **1.4. Modern Slavery statement**

Lakehouse Capital acknowledges and commits to our responsibility to respect all human rights. This means ensuring our employees work in a supportive environment that demonstrates respect for people both inside and outside our own organisation. While Lakehouse is not mandated to report under the Modern Slavery Act, we still ensure we have adequate policies and procedures in place to address modern slavery risks within our own organisation. Further, we will seek to work only with partners who have similarly committed to taking appropriate actions and care in their own operations.

From an investment perspective, Lakehouse expects all portfolio holding companies who are required to comply with the Modern Slavery Act 2018 (Cth) to produce a Modern Slavery Statement and proactively monitor and mitigate modern slavery risks within their individual operations and supply chains. Where we believe unacceptable behaviours or risks may exist and/or disclosures are not satisfactory, we will engage with a company to ascertain whether it is taking appropriate action.

## **1.5. Climate Change**

Lakehouse acknowledges the impact climate change has on the environment, society and the global economy including how our own actions can help contribute to the mitigation of some of those risks.

At Lakehouse we seek to minimise our own carbon footprint. We do this through 2 main initiatives:

- i) By purchasing renewable energy
- ii) Offsetting our carbon emissions

See 2.1 for more information on how we seek to minimise our broader environmental footprint.

As investors we also seek to encourage disclosure and hold companies responsible for their own actions. To this end we support the Task Force on Climate-Related Financial Disclosures (TCFD) who encourage companies to improve climate related disclosures allowing for greater transparency and assessment of risks.

Our investment style naturally favours low carbon intensive businesses reducing the aggregate carbon footprint of our portfolios and the associated costs and risks.

## **2. Lakehouse Capital: ESG Policy as it relates to our business**

We actively consider, monitor and seek to improve ESG considerations as they relate to the manner in which we run our business. The initiatives outlined below are led by various individual employees of Lakehouse, with the responsibility for their implementation falling to all employees. The team meets regularly to report on the progress of these initiatives and identify new areas of focus.

### **2.1. Environment and climate change mitigation**

As part of our environmental and climate change initiatives, we seek to minimise negative impacts arising from our business activities. We have implemented the following:

- Confirmed the five-star NABERS rating of our office building in Sydney;
- Purchasing renewable energy used in our offices in Sydney;
- Engaged [Greenfleet](#) to offset our office carbon emissions;
- Consistently seeking opportunities to reduce the energy consumption and environmental footprint in our offices in Sydney.
  - Recycling of paper waste and printer cartridges;

- Using sustainable suppliers for consumables at office;
- Using recycled paper and setting double-sided printing as a default.

## 2.2. Social

We would describe Lakehouse's culture as performance-driven with a focus on investment outcomes. This plays itself out in a collegial and family-friendly environment. The Lakehouse business has been built around the concept of 'balance' and its importance at work and in life.

## 2.3. Governance

Lakehouse Capital aims to conduct business ethically and maintain a high standard of corporate governance, compliance and risk management, alongside promoting responsible business practices in the industry. We support initiatives such as the Banking and Finance Oath.

We aim to ensure that our Compliance and Operations team utilises best-in-class service providers, and we are compliant with all the necessary requirements, including having appropriate policies and procedures in place, under the terms of our Australian Financial Services License (AFSL).

*Signatory of:*



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