

Introduction

At Lakehouse Capital, our goal is to implement 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 ethical 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 now 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.

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;
- Engaged [GreenPower](#) for supplying renewable energy used in our offices in Sydney;
- Engaged [Greenfleet](#) to offset our carbon emissions, including for business travel;
- Subsidising employees commuting by public transport
- Consistently seeking opportunities to reduce the energy consumption and environmental footprint in our offices in Sydney;
 - Recycling Nespresso coffee pods consumed in the office;
 - Recycling of paper waste and printer cartridges;
 - Banning of single-use plastics;
 - Using sustainable suppliers for consumables at office;
 - Using recycled paper and setting double-sided printing as a default.

2.2. Social

The foundation of our culture is based on the culture of our parent company, The Motley Fool. Our core values can be summarised as:

- Collaborative - Do great things together.
- Innovative - Search for a better solution. Then top it!
- Fun - Revel in your work.
- Honest - Make us proud.
- Competitive - Play hard, play fair, play to win.
- Motley - Make Foolishness your own.

In addition to the values listed above, 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.

Lakehouse's Social initiatives include:

- A flexible working environment and with part-time arrangements in place;
- Company-sponsored private health insurance for all employees and their families;
- Access to a wellness package for all employees by offering cash rebates for activities related to improving physical and mental health, disease prevention and nutrition;
- Maternity and paternity leave;
- Unconscious bias training;
- Employee engagement score tracking;
- Equal opportunity recruitment process encouraging diversity at the application stage;
- Return to Work Program -- Internships for women re-entering the workforce approved to start in 2021;
- Charitable donations implemented via YouEarnedIt Giving, which encourages employees to recognise their colleagues and support worthy causes;
- Fool in Need Program -- Employees can donate to a private internal fund that supports other employees and their families during times of need;
- Annual staff volunteering days.

Diversity Belonging and Inclusion (DIBS)

DIBS is a key priority area at Lakehouse's parent company, The Motley Fool, and is a permanent, long-term project within Lakehouse's ESG framework. DIBS is an equation, where (Diversity + Inclusion) x Belonging = Succeeding.

- Diversity within DIBS could assume various forms, including seeking diverse candidates for all roles, more broadly, or fostering cognitive diversity within teams.
- Inclusion is a key focus of DIBS -- we recognise there are employees with minority interests and preferences which are not adequately represented within the broader group, and DIBS is about making all employees feel comfortable to bring their whole selves to work and setting them up to succeed.
- DIBS seeks to encompass varied activities such as Lakehouse employees taking a class in Investment Management at a university (with the intent being to positively impact diversity ratios in the workforce at a grassroots level), or amending proxy voting policies within other asset management businesses at The Motley Fool to better reflect the company's DIBS goals.

DIBS is championed by all Lakehouse employees, with accountability for micro-initiatives resting with groups of two to three employees and progress against goals measured monthly, with reporting frameworks that link back to top management at The Motley Fool.

The Motley Fool Foundation

Lakehouse's parent company, The Motley Fool, is in the process of establishing a foundation based in the US which will be fully operational by February 2021. The Foundation's work will be based on the hypothesis that *"individuals living in communities with low levels of social, human and natural capital have low levels of financial wellbeing and fewer opportunities to invest and build wealth and a quality 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 and encourage employee participation in Conscious Capitalism workshops.

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).

3. Lakehouse Capital: Position Statement on Modern Slavery

Lakehouse Capital's business is investment management of long-only equity funds which invest in global listed companies, and small- / mid-cap companies listed in Australia and / or New Zealand. As such, the business perceives risks from a modern slavery perspective to stem from its hiring practices and employee conditions, its agreements and relationships with suppliers, and the companies in which the Lakehouse Funds invest. We discuss each of these potential risk areas in depth below.

- 3.1. **Internal risks, from hiring and employee conditions:** Lakehouse's parent company, The Motley Fool, has been judged as one of the world's [Best Places to Work](#), and as explained

in 2.2 above, we take that reputation and its upholding seriously. We believe our collegiate yet performance-oriented culture underpins our success as a people-centric business. Our hiring practices are robust, inclusive, and comply with the necessary laws and regulations, as do our workplace conditions. Employees are entitled to generous benefits which include, but are not limited to, flexibility, company-paid insurance for self and family, parental leave, and wellness initiatives.

- 3.2. External risks, from suppliers** -- Lakehouse's key external suppliers are our Custody provider, Registry provider, and our Fund Administrator, all serviced by Mainstream Fund Services (JP Morgan is our Sub-custodian); our Trading & Portfolio Management software vendor, SS&C Eze; and our fund analysis and market data provider, Morningstar. Other suppliers to Lakehouse include equities broking firms* which help execute trades on behalf of Lakehouse for stocks held in the Funds, and professional services firms (including our lawyers, Ashurst Australia, and financial auditors, Crowe Horwath, and compliance auditors, PwC and Pitcher Partners). We engage with our suppliers listed above to ensure that they and their related entities do not endorse or indulge in modern slavery. All of these entities are located in Australia, with limited scope of services provided by offshore centres, and staff employed at these firms is generally highly-skilled offering services of a professional nature, thereby limiting their exposure to modern slavery practices.
- 3.3. External risks, from investee companies held in the Funds** -- Lakehouse's investment analysts are responsible for identifying and assessing potential investee companies' exposure to modern slavery practices, as part of the firm's proprietary Checklisting process which examines key ESG-related risks and concerns. In addition, the team also assesses the prospective company's relationships with 6 key sets of stakeholders (its customers, competitors, employees, suppliers, regulators, and shareholders) as part of the Thesis Review process. This 360 Review encompasses labour conditions, health & safety norms, and human rights concerns, as they pertain to relevant stakeholder groups, and evaluates risk areas accordingly. Some of the Funds' investee companies have identified modern slavery issues independently and have taken steps towards elimination of these practices. As a result, our view is that Lakehouse's Funds' investments have minimal exposure to the risks associated with modern slavery.

*A list of the Funds' equities brokers can be provided on request.

Signatory of:

