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# ESG and Sustainability Report

2024



# Chief Investment Officer Message

SG Hiscock & Company Limited (SGH) is proud to deliver its first Environmental, Social and Governance (ESG) and Sustainability report.

This report marks our first comprehensive disclosure on ESG and sustainability, aligned with the Principles for Responsible Investment (PRI) framework to which we are signatories.

Through this report, we aim to:

1. Outline our approach to ESG integration across our investment management processes and sustainable practices within our business operations.
2. Demonstrate transparency and accountability to our stakeholders.
3. Contribute to the promotion of ESG practices within the context of the market in which we operate and the wider community.

We invite you to explore the report to understand our progress, challenges, and future ambitions. We acknowledge that as an industry, we are all on a journey of continuous improvement and welcome feedback on improvements we could make that might be of benefit to future reports.

If you have any feedback on this report please contact us at [enquiries@sghiscock.com.au](mailto:enquiries@sghiscock.com.au)



**Rob Hogg**  
Chief Investment Officer



**Lucinda McGrath**  
Head of ESG





# About SGH

SG Hiscock & Company Limited is an Australian boutique fund manager specialising in high conviction actively managed investment strategies and Individual Portfolios.

SGH was established in 2001 and is entirely owned by directors, staff and associates. Office locations are Melbourne and Sydney.

SGH is built on the values of Integrity, Respect and Curiosity.

We are committed to partnering with our clients to deliver their financial goals through a suite of best-in-class investment solutions.

A practical application of our values is the consideration of Responsible Investing and ESG issues in the way we conduct our business and undertake our investment decision making.

Our primary goal is to generate the best long-term outcomes possible for our clients.

By embedding ESG analysis into our active equity investment process we aim to enhance potential value for our investors and identify and manage risk.

## Our People

SGH comprises an experienced team of professionals across investment management research, ESG, distribution, middle office, clients service and corporate functions.







# SGH Funds

## Real Estate Investment Trusts

SGH Property Income Fund ETL0119AU

## Australian Equities

SGH High Conviction Fund ETL0042AU

ICE Fund ETL0062AU

SGH Emerging Companies Fund ETL0118AU

SGH Medical Technology Fund ETL2825AU

SGH Ex-20 Australian Equities Fund CRS0003AU

SGH Australian Small Companies Fund CSA0131AU

SGH Opportunities Fund DMP6133AU

## Income

SGH Enhanced Income Trust ETL6695AU

## SGH Individual Portfolios

Individual managed accounts for wholesale investors.



# SGH’s Approach to ESG within Investment Management Process

As an investment manager, SGH recognises the role we can play in supporting and influencing the impact of ESG issues in our investment process.

We believe that over time, good ESG practice delivers both direct and indirect positive impacts on shareholder value and provides a broader community benefit.

As part of our commitment to incorporate ESG principles into our investment process, SGH is a signatory to the UN-supported [Principles for Responsible Investment \(PRI\)](#).

The Principles provide the framework for our approach to responsible investment and comprise the following objectives:

- We will incorporate ESG issues into investment analysis and decision-making processes
- We will be active owners and incorporate ESG issues into our ownership policies and practices
- We will seek appropriate disclosure on ESG issues by the entities in which we invest
- We will promote acceptance and implementation of the Principles within the investment industry
- We will work together to enhance our effectiveness in implementing the Principles
- We will report on our activities and progress towards implementing the Principles.

## ESG integration within Investment Management

ESG integration has been defined as “the process of including ESG factors in investment analysis and decisions to better manage risks and improve returns.”<sup>1</sup>

SGH is committed to embedding ESG considerations into our investment decision process where the timeframe incorporated in the investment philosophy of the relevant fund is consistent with the medium to longer term nature of ESG factors.

By embedding ESG analysis into our active equity investment process, we aim to enhance potential value for our investors and assist in reducing risk. As well as better-informed investment decisions, we also want our clients to benefit from active management of these assets.

The integration of ESG analysis into our investment process is a fundamental part of the investment and risk assessment process.

<sup>1</sup>UNPRI

Signatory of:



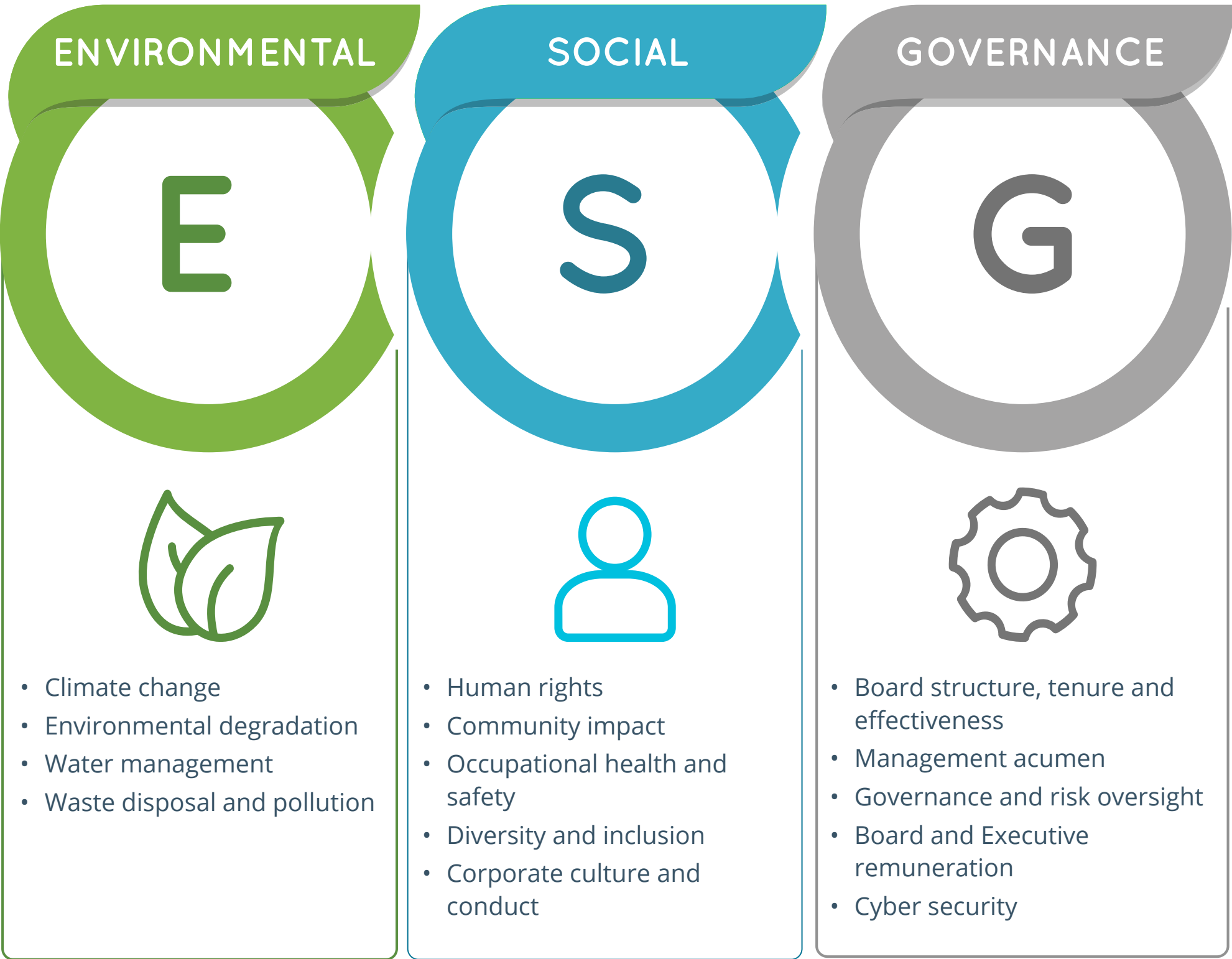
## SGH ESG Integration Process



# 1 ESG Research and Assessment

Our investment process is driven by fundamental research, combining analysis of relative value and total return potential. As part of this analysis, we identify risks and opportunities that may impact a company’s performance, including ESG factors.

Each investment team can place varying weights on different factors and consequently, the focus in analysis may shift where issues are identified. In summary however, SGH currently considers the following ESG factors most relevant to this process.



In recent years, the PRI has identified a range of systemic sustainability issues (i.e complex, global scale challenges) including Climate Change and Human Rights. We do not apply a values-based approach to addressing these issues, rather we consider them on a case-by-case basis in the context of our fundamental research of the companies in which we invest. Our approach to addressing these issues is summarised below.

## Climate Change

SGH supports the United Nations Paris Agreement to limit global warming to well below 2°C by 2050, compared to pre-industrial levels, and transition the economy to net zero. The Paris Agreement outlines country specific targets for reducing carbon emissions and has been adopted by 196 countries, including Australia.

We consider the risks and opportunities associated with climate change as part of our investment process including physical and transition risks. To the extent that climate change risk is generally longer term, so too are the potential impacts on the sustainability of the companies in which we invest. Where matters require further investigation, we engage with companies to inform our research process and where appropriate, encourage action to mitigate any identified risks.

SGH is also a participant of the Climate Action 100+ initiative. This is an investor led collaborative engagement group focussed on engaging with systemically important greenhouse gas emitters and other companies across the global economy

to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

## Human Rights

As a signatory to the UN Principles for Responsible Investment, SGH acknowledges its responsibility to respect human rights. It is widely accepted that companies have a responsibility to respect the human rights of any stakeholders they impact, including their workforce, communities, customers and end-users. This includes respecting the rights of people indirectly affected by their operations - through our investment portfolios and supply chain. Our actions are informed by the United Nations’ (UN) Guiding Principles on Business and Human Rights and the Modern Slavery Act 2018 (Cth).

While SGH is not mandated to report under the Modern Slavery Act, we seek to ensure adequate policies and procedures are in place to address modern slavery risks within our own organisation. Further, we take appropriate steps to understand whether our suppliers are considering modern slavery risks in their own organisation and supply chain.

We seek to improve our processes over time and if risks are identified, take appropriate action as part of our ongoing risk assessment process. Similarly, we assess the risks and opportunities posed by human rights within our portfolio companies and engage with companies as required to understand the impact and encourage good practice.



# 2 Integrate ESG Assessment Into Investment Decisions

We assess ESG risks and opportunities for each company to determine how well the company is addressing, embracing and engaged in managing environmental, social and governance issues. This assessment underpins our internal ESG assessment which draws from both qualitative and quantitative factors. This assessment is typically reviewed on an annual basis but may be adjusted more frequently if there are changes in circumstances.

The extent to which an ESG matter impacts investment decision-making, is dependent on the nature of the ESG risk or opportunity identified for each company. In addition, the materiality of ESG issues will vary from one company to another depending on the activities of the company, and different issues will be relevant to different operations.

Our investment decision making process may consider undertaking further research, engaging with the company based on pre-determined objectives, exercising voting rights, adjusting portfolio weights or avoiding a company altogether.

The manner in which our approach to ESG integration is applied by our investment team may differ depending upon the strategy of the fund or individual portfolio or client mandate.

Further information on our approach to ESG integration within our investment management process is available in the SGH Approach to ESG Integration [here](#).

Within the context of our approach to integrating ESG analysis into our investment processes, our stewardship activity involves company engagement, collaborative engagements (where relevant) and proxy voting activity.

# 3 Stewardship

Our stewardship activity involves company engagement, collaborative engagement (where relevant) and proxy voting.

Company engagement is an integral part of our fundamental research process, providing a framework for dialogue between us and our portfolio companies. Although engagement objectives specific to a company may change over time, the primary purpose of our engagement is to inform our research, encourage good practice in investee companies and ultimately improve long term company returns.

Further information on our approach to stewardship is available in our Stewardship policy [here](#).

# 4 Reporting and Review

As part of our commitment to implement the UN-supported Principles for Responsible Investment, we report annually on the progress made during the year in meeting the objectives, commencing 2024.

## ESG Governance at SGH

To ensure the effective implementation of our responsible investment commitments, SGH maintains accountability and oversight via the following framework:

<b>SGH Board of Directors</b>	<ul style="list-style-type: none"><li>• Oversees and is ultimately responsible for the Company Risk Management Framework including ESG integration.</li><li>• Has overall responsibility for ensuring that the SGH business complies with its mandatory PRI reporting requirements as well as all internal policies and procedures that govern SGH’s responsible investment activities.</li></ul>
<b>ESG Committee</b>	<ul style="list-style-type: none"><li>• Chaired by the Chief Investment Officer, the ESG Committee assists the SGH Board in fulfilling its oversight responsibilities with regard to the responsible activities of the SGH Group. This Committee works with other Board Committees to assist the Board in fulfilling these responsibilities. General responsibilities of the ESG Committee include:<ul style="list-style-type: none"><li>• Oversight of the SGH Group’s ESG policies, practices and performance</li><li>• Consideration of emerging ESG issues to understand materiality regarding long term value creation.</li></ul></li></ul>
<b>Head of ESG</b>	<ul style="list-style-type: none"><li>• Leads enhancements to integration of responsible investment across the SGH business and oversees the company engagement plan</li><li>• Responsible for co-ordination of annual PRI reporting</li></ul>
<b>Proxy Voting Officer</b>	<ul style="list-style-type: none"><li>• Ensures votes have been lodged</li><li>• Monitors upcoming AGMs and voting themes</li></ul>
<b>ESG Champions (within Investment team)</b>	<ul style="list-style-type: none"><li>• Progress the ESG integration process within individual investment teams</li><li>• Work with the Portfolio Manager to ensure current ESG themes are assessed and their impact on portfolio holdings determined</li><li>• Monitor and update engagement plans</li><li>• Report on activity to the ESG Committee</li></ul>
<b>Investment teams</b>	<ul style="list-style-type: none"><li>• Have ultimate responsibility for identifying, integrating and assessing the impact of ESG risks and opportunities in the investment process.</li></ul>

# ESG Progress – Investment Management

At SGH, we are committed to improving our approach to responsible investment. Within the context of our investment management processes we have focussed on enhancing the transparency of our approach.

## ESG Policy Framework

During the year, we reviewed our policy framework as follows:

- 1. **SGH Group Environmental, Social and Governance Policy** – includes our approach to ESG integration, guidelines regarding human rights and climate change, our ESG governance framework and our current memberships and initiatives.
- 2. **SGH Group Stewardship Policy** – updated to include the principles that guide our voting decisions, how we manage conflicts of interest and our escalation process.
- 3. **SGH Group approach to ESG integration** – further explains the manner in which our approach is applied by our investment teams.

## Stewardship Activity

At SGH, our stewardship activity involves engaging with investee companies, proxy voting and collaborative engagements (where relevant). These activities allow us to encourage practice improvement, particularly relating to governance which we consider a key driver of long-term company sustainability.

## Proxy Voting

We consider proxy voting rights to be an important power, which if exercised diligently can enhance client returns over the long term. We intend, wherever possible and practical, to vote on every resolution put to shareholders. Our primary objective when voting is maximising the value of our clients’ investments.

The decision to exercise proxy voting rights in the context of our stewardship program rests with the respective fund portfolio manager. In exercising its voting discretion, SGH may consider the following:

- The nature of the resolution at hand.
- Whether SGH’s participation will advance investment objectives.
- Ensuring companies act in the best interests of shareholders.
- Improve corporate governance of investee companies.
- The ability of SGH to influence the outcome of a resolution.

For the financial year to 30 June 2024 we voted on resolutions across all of our strategies as follows:

Resolutions	For	Against	Abstain
1617	1524	83	10

During the period, voting themes continue to be related primarily to governance matters such as board tenure, executive remuneration and amendments to company constitutions.

Our full Proxy Voting report is available [here](#).

## Company engagement

At SGH, we engage with companies we invest in or may consider investing in. Through engagement with companies, we are seeking to improve company sustainability. A key input in our investment selection process is an assessment of the quality of the board and senior management. To develop that knowledge, we engage with company management at regular intervals, and prioritise active dialogues where positions are significant, and issues are viewed as material.

Our engagement process is led by our Portfolio Managers who, with their teams, engage with companies throughout the investment process on a broad range of issues including a company’s strategy, financial and non-financial performance, risk

management, corporate governance, sustainability initiatives, and capital structure.

Engagement takes place one-on-one, which we find an effective way to articulate our views to a company’s management. In conducting stewardship activities, SGH focuses on material ESG risks and opportunities. Not all ESG risks are material for all companies, so we prioritise the most material risks applicable to each company to promote efficient and effective stewardship.

Importantly, regular engagement with companies provides opportunities to gather information for the purpose of:

- Monitoring and tracking the performance of our investments.
- Investment and proxy voting decision making.
- Understanding management’s commitment to ESG integration.
- Gathering insights into the robustness of management’s approach to reporting ESG data.



Company Engagement Examples

Company type	Engagement type	Objective	Status
Property development	Governance	Improve Board independence	Ongoing
Building services	Governance	Sought improvement on: <ul style="list-style-type: none"> <li>• management share sales</li> <li>• over representation of executives on board</li> <li>• remuneration – adjustments and LTI hurdles not best practice</li> <li>• high number of related party transactions</li> <li>• use of company funded share scheme</li> </ul>	Reduced position overall and in some strategies divested.
Oil and gas	Environment	Improve climate disclosures	Ongoing
Banking and finance	Governance	Encourage more detailed planning for long term strategy	Ongoing
Health insurance	Social	Monitor response to cyber incident and findings	Closed

Stewardship - Collaborative Engagements

We have begun to seek out opportunities to participate in industry groups to debate and discuss ESG issues and build greater advocacy across like-minded investors. In doing so, we are mindful of opportunities that are aligned with current portfolio holdings and identified ESG engagement objectives.

In July 2023 we became a participant of Climate Action 100+, an investor-led initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change in order to mitigate financial risk and to maximise the long-term value of assets.





Engagement approach to small companies<sup>1</sup>

As institutional investors who work with Emerging Companies in the Australian market, we often find that the lack of ESG disclosures, makes implementing the objectives of PRI for us, quite challenging. To counter this, we employ a more active approach as a business to increase the information that is available to us, with the goal of enhancing ESG practices and encouraging ESG disclosure at the small end of the market.

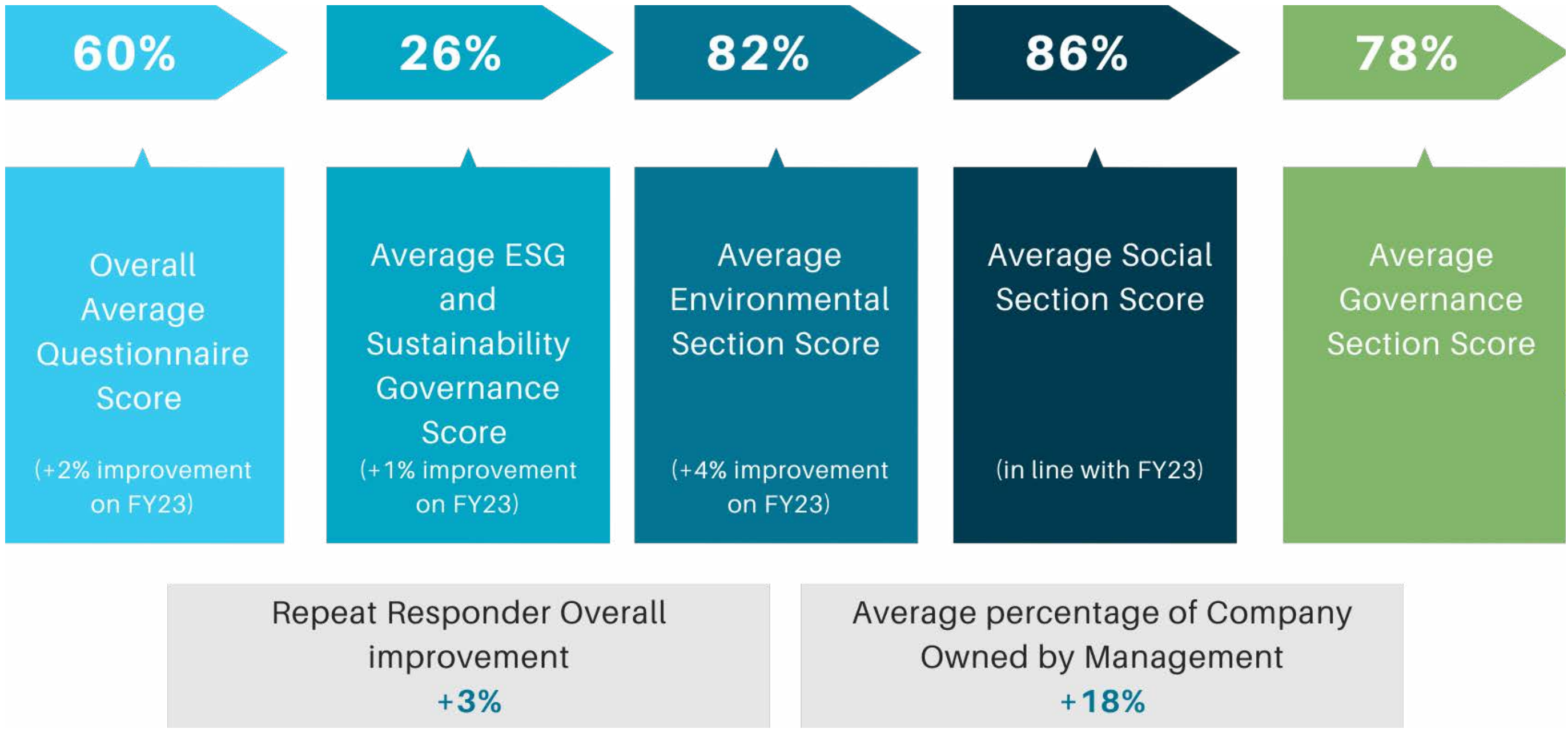
In response, we issue an annual ESG questionnaire to our portfolio companies to complete. The questionnaire seeks to understand how ESG has been integrated into each business at a corporate level, then drills down into specific Environmental, Social and Governance measures that are in place.

Study findings have demonstrated a positive correlation between ESG performance and corporate financial performance, which provides academic evidence for the financial materiality of ESG factors.<sup>2</sup>

Based on this, we see our engagement approach as not only a chance to create greater transparency in the market, but more importantly, as a catalyst to ensure that each company is properly considering ESG factors in their daily business operations to ensure their ongoing success.

<sup>1</sup> This approach is relevant to the following strategies: SGH Emerging Companies Fund, SGH Medical Technology Fund, and SGH Opportunities Fund.  
<sup>2</sup> CFA Society United Kingdom

Summary of FY24 ESG Questionnaire Responses





# Sustainability at SGH

At SGH, we have implemented and continue to evolve practices and strategies relevant to the longer term impact of our operations. Core to our approach is good governance which we believe is a key driver of sound sustainable business practices.

## Values and Purpose

At SGH our company values play a crucial role in shaping our corporate culture and driving business success. Developed through a process of engagement with staff and management and approved by the SGH Board, our values are the responsibility of all staff and we hold each other accountable for their implementation. They guide our behaviour and decision-making, providing the foundation for a shared sense of purpose and cohesive culture.

RESPECT	INTEGRITY	CURIOSITY
We build trust with professionalism, honesty and humility.	We value diversity of thought, experience and background and treat all individuals with dignity.	We foster a culture of continuous learning and development by encouraging employees to seek out new knowledge.
We make decisions in the best interests of our clients.	We listen actively to our clients and each other, demonstrating consideration for their ideas and perspectives.	We encourage critical thinking to aid decision making.

## SGH Code of Conduct

At SGH, we are committed to building and maintaining high standards of integrity, fair dealing, quality of service and ethical behaviour in all our relationships. The SGH Code of Conduct (the “Code”) is a set of guiding principles that are fundamental to SGH’s successful business operation. The Code incorporates the shared values that guide how SGH conducts its business and builds relationships with clients.

Further information about the SGH Code of Conduct is available [here](#).

## Employee Engagement

Our people are the cornerstone of our business. To ensure we continue to foster an inclusive, supportive and productive work environment, SGH commissioned an independent third-party to conduct an employee alignment and engagement survey. By engaging with our employees and understanding their expectations, we aim to improve our work environment continuously. Our goal is to support individual growth while aligning with broader career goals and business objectives.

In 2019, we launched our first comprehensive employee engagement and alignment survey to establish a baseline and identify areas for improvement. The survey assessed various aspects of the employee experience, including job satisfaction, workplace culture, and overall engagement levels. In 2023, we repeated the survey to measure progress since the initial implementation and to reassess employee sentiment.

In response to this process, we identified the following areas for improvement.

1. Creating a fair, inclusive, and supportive work environment:
  - Employing diverse talent and fostering innovation.
  - Implementation of a Diversity and Inclusion policy.
  - Establishing a Diversity, Equal Opportunity & Inclusion Committee to ensure ongoing commitment and progress.
2. Enhanced staff development and training initiatives.
  - Short-term, job-focussed training to support immediate needs, improving job performance and productivity.
  - Long-term, career-oriented pathways to hone strengths and address weaknesses.
3. Refined hybrid working model:
  - Ensuring harmonisation of business goals with flexible work habits.
  - Creating a balance that supports both company objectives and employee wellbeing.
4. Benchmarking and reviewing information support services:
  - Achieving best practices in information support to enhance overall efficiency.



Diversity & Inclusion

During the year the SGH Board established the SGH Group Diversity, Equal Opportunity and Inclusion Committee (DE&I Committee). The DE&I Committee acts as an advisory body to the SGH Board. The objective of the DE&I Committee is to assist the SGH Board to actively manage diversity, equal opportunity, and inclusion and seek ways of acknowledging and embracing the differences that exist to foster a positive and productive work environment.

For more information, read the SGH Diversity and Inclusion policy [here](#) and the SGH Equal Employment Opportunity policy [here](#).

SGH Board 30 June 2024	F: 40%	M: 60%
All Staff 30 June 2024	F: 38%	M: 62%
All staff hires since 2019	F: 46%	M: 54%

Employee Assistance Program

As an additional support mechanism, SGH has partnered with Converge International to provide all staff and their immediate families (living in the same household) with an Employee Assistance Program to help them deal with the challenges, concerns or issues that may be affecting them at work or at home. Converge International offers a confidential, personal coaching and counselling service that provides support for a variety of short-term issues.

SGH Group Workplace Health & Safety

SGH is committed to ensuring that employees are safe from hazards and risks to their health and safety whilst at work. SGH will endeavour to pursue continual improvement of safety performance with the aim of eliminating work related injury and illness. The business reports to the SGH Board on workplace health and safety every six months with a focus on:

- How we keep staff safe.
- How we keep staff connected to the business.
- How we keep staff connected to each other.

More information about the SGH Group Workplace Health & Safety is available [here](#).

Managing the carbon footprint of our operations

SGH is committed to reducing the carbon emissions associated with our own operations. We partnered with Ark Resources in 2022 to assist us with this process commencing with the development of a carbon inventory and emissions assessment. At that time, our estimated carbon emissions were 113.1 tCO2-e. We implemented strategies to reduce our impact on the environment, including:

- Switching off lights and electrical appliances when not in use
- Recycling cardboard and paper and using recycled paper products
- Recycling used printer cartridges;
- Purchasing green office stationery products
- Recycling and reusing glass, cans, and plastic;
- Reducing the amount of paper we use by:
  - Encouraging staff only to print if it is absolutely necessary;
  - Using ‘double-sided’ printing; and
  - Increasing the amount of documentation sent via email.
- Encouraging the use of teleconference technologies in preference to staff travelling for business related meetings; and
- Switching to green power with our electricity service provider.

SGH will continue to seek ways to reduce its carbon emissions where possible. We look forward to sharing our progress with you in future reports.



# Community giving

Every year we select a new community organisation to support – by a process of staff nomination. Over the years we have made positive contributions to a variety of organisations that are important to us, including: John Fawcett Foundation, Scope, UNHCR, Monash Health Foundation, Asylum Seeker Resource Centre, Berry Street, headspace, FightMND and Pancare Foundation.

This year, SGH has nominated to support the Mirabel Foundation.

Established in Victoria in 1998, it is the only organisation in Australia specifically addressing the needs of children who have been orphaned or abandoned due to parental drug use. The Mirabel Foundation provides essential assistance from the moment a family first contacts them right through until a child reaches 18. They provide tangible, practical and emotional support for both the children and their carers. Their focus is to do whatever they can to give these children the most normal childhood possible.

To find out more about the Mirabel Foundation, please visit [www.mirabelfoundation.org.au](http://www.mirabelfoundation.org.au)







## SG HISCOCK & COMPANY

Equity Trustees Limited ABN 46 004 031 298 | AFSL 240975, a subsidiary of EQT Holdings Limited ABN 22 607 797 615 a publicly listed company on the Australian Securities Exchange (ASX:EQT) and Melbourne Securities Corporation Limited (ACN 160 326 545 AFSL 428289) are the Responsible Entity or the Trustee for the Funds mentioned in this report.

SG Hiscock & Company Limited ABN 51 097 263 628 | AFSL 240679 is the Investment Manager of these Funds and has prepared this report for general information purposes only.

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