

HBM Partners Hong Kong Limited (CE No. BQB742)

Climate-related Risks Disclosure

Nov 2022

Executive Summary

HBM Partners Hong Kong Limited (“HBMHK”) is a corporation licensed with the Hong Kong Securities and Futures Commission (“HKSF”) to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) Regulated Activities. As the world moves towards net zero, we are aware that climate-related factors may potentially bring risks or opportunities to funds under our management. In line with HKSF’s recent update to the regulatory requirements which requires fund managers to take climate-related risks into consideration, we developed a robust governance structure with appropriate policies and procedures to effectively evaluate and mitigate potential climate-related risks. With investing in the Chinese healthcare sector as the main strategy for our funds, we have, after careful evaluation, found climate-related risks to be relevant but immaterial to the fund we currently manage.

Governance

The Board’s role and oversight

Our Board of Directors (the “Board”) oversees the incorporation of climate-related considerations and HBMHK’s progress in achieving climate-risk related goals. We have established a governance framework whereby HBMHK’s Board is informed about climate-related issues at least annually so as to perform effective and timely reviews of such issues. Additionally, our Board adheres to guidelines set by the HBM Partners Group, which references the UN Sustainable Development Goals.

Management’s roles and responsibilities

Our management team covering risk management and investment functions is a fundamental component to HBMHK’s mitigation of climate-related risks. The management team is responsible for monitoring the status and progress of our efforts in evaluating and managing climate-related risks as well as assessing the relevance and materiality of such risks. Management will report to the Board at least annually and will escalate any urgent climate-related issues to the Board as soon as possible.

Our approach in determining relevance and materiality

We analysed the relevance and materiality of climate-related risks to HBM China Healthcare Fund and concluded that climate-related risks are relevant but immaterial.

Our processes are outlined below:

Relevance of climate-related risks

When determining the relevance of climate-related risks, we looked at our fund’s (i) overall investment strategy, (ii) the time horizon of our investments, and (iii) the composition of our fund for a more comprehensive evaluation. We concluded that since we mainly invest in equities in the Chinese healthcare sector and the investment horizon is not limited to short-term holding, climate-related risks may potentially affect the valuation of our investments. Hence, climate-related risks for our fund are considered relevant.

Materiality of climate-related risks

We integrated both top-down and bottom-up approach when evaluating the materiality of climate-related risks by assessing the impact of climate-related physical and transitional risks on the (a) industry level, (b) geographical level and also (c) the portfolio level, including identifying any concentration of risks and comparing ESG ratings taken from several data sources, if any. Our comprehensive approach to the materiality assessment concludes that climate-related risks are immaterial to our funds.

Conclusion

The results of our analysis indicate that climate-related physical and transitional risks are relevant but immaterial to our portfolio. We will continue to monitor and assess the potential impacts of climate-related risks on our investments to ensure that such risks are effectively mitigated.