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HSBC and Sunway REIT execute over RM200 million Sustainability-Linked Cross Currency Swap

Collaboration is first-of-its-kind in the industry and aligns with Malaysia's national sustainability agenda

Sunway REIT has collaborated with HSBC to execute its first Sustainability-Linked Cross Currency Swap (CCS) in Malaysia. The RM200 million CCS supports the leading local real estate investment trusts (REITs) player's long-term vision for developing a more sustainable business and reinforces the increased focus of the REITs industry on becoming more sustainable.

Nearly 40% of global carbon dioxide emissions come from the real estate sector.[1] As owners and operators of a portfolio of real estate assets, REITs players are in a unique position to address the challenges and risks posed by climate change. Real estate investors too are increasingly aware of the physical climate risks posed to their portfolios, such as damage arising from extreme weather events. At the same time, globally, as the cost of carbon increases, REITs that integrate emission reduction strategies are likely to gain a competitive advantage. These factors, amongst others, are prompting REITs to increasingly put sustainability at the forefront of their business.

Sunway REIT has pledged to achieve net zero carbon emissions by 2050, which is aligned with the Malaysian Government's commitment of being carbon-neutral by 2050. To realise this ambition, Sunway REIT has set an interim target to halve emissions by 2030 by focusing on reducing residual emissions by 45% enabled through improved energy efficiency and using energy substitution. Sunway REIT is also the first REIT in Malaysia to introduce a Green Lease Partnership Programme for all its tenants and hotel lessees, with a target to achieve 100 percent participation by 2030.

The bespoke CCS hedges both the currency and the interest rate risks of Sunway REIT's foreign currency loan with HSBC while offering direct sustainability-linked incentives. The CCS's economic terms are directly linked to two specific sustainability performance targets that are in line with Sunway REIT's commitment to manage environmental impact. This includes:

- the total renewable energy in megawatt-hour ("MWh") generated by all solar photovoltaic systems in Sunway REIT's properties; and
- the weighted average building energy intensity (BEI) measured in kilowatt-hour per square meter of the building's gross floor area per year ("kWh/m2/year")

Christina Cheah, Head of Global Banking, HSBC Malaysia said, "The REIT industry has increased its focus on becoming more sustainable, particularly as investors put more focus on ESG issues. This has accelerated the need to change the nature of capital and direct it

[1] https://www.forbes.com/sites/davidcarlin/2022/04/05/40-of-emissions-come-from-real-estate-heres-how-the-sector-can-decarbonize/?sh=2b50e49c63b7

in more sustainable ways for the sector. By linking the CCS to specific sustainability performance targets, we have created a customised structure which includes direct, measurable incentives for the client to achieve its sustainability ambitions. The product marks a further step in the development of Malaysia's sustainable finance market and in Sunway REIT's ambition to fulfil its ESG goals."

Dato' Jeffrey Ng, Chief Executive Officer of Sunway REIT Management Sdn Bhd (Manager of Sunway REIT) said, "Following the issuance of Sunway REIT's first sustainable finance product in 2021, the Manager has continued to integrate Sunway REIT's sustainability ambitions into its various financing facilities. Our collaboration with HSBC for the execution of the sustainability-linked CCS, enables the Manager to convert more than 90% of Sunway REIT's borrowings into sustainable finance. Importantly, the progressive outcomes ensure positive environmental impact while incentivising Sunway REIT with lower financing costs."

HSBC is prioritising financing and investment to support its customers transition to net zero. We have pledged to reach this across our portfolio by 2050 or sooner, in line with the goals of the Paris Agreement. To do this, our customers need to switch to more sustainable ways of doing business. We have committed up to USD1 trillion of financing and investment by 2030 to help them get there.

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HSBC Malaysia
HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited established its first office in the country on the island of Penang, with the permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia was the first foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, namely HSBC Amanah Malaysia Berhad. HSBC Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

Sunway REIT
Sunway Real Estate Investment Trust (Sunway REIT or Trust) is one of the largest diversified real estate investment trusts (REITs) in Malaysia with a diverse portfolio strategically located across award-winning integrated townships in key locations in Greater Kuala Lumpur, Penang, and Perak. Sunway REIT was first listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 8 July 2010. The market capitalisation of Sunway REIT stood at RM5.5 billion as of 31 March 2023. Sunway REIT owns a diversified portfolio of 20 properties comprising 5 retail properties (including a property designated for re-development into a retail-centric tourist destination), 6 hotels, 5 offices, a medical centre, an education property and two industrial properties, with a combined property value of RM9.10 billion as of 31 December 2022.