

HSBC And Sunway REIT Execute RM200 Million Sustainability Linked Cross Currency Swap

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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.

According to reports, nearly 40% of global carbon dioxide emissions come from the real estate sector. 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 said it 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 managing 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").

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."