

SunREIT and HSBC team up for maiden RM200 mil sustainability-linked cross currency swap

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Lam Jian Wyn, theedgemalaysia.com



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KUALA LUMPUR (June 23): Sunway Real Estate Investment Trust (SunREIT) has joined forces with HSBC to execute its first sustainability-linked cross currency swap (CCS) in Malaysia, which is worth RM200 million.

In a jointly issued statement on Friday (June 23), the parties said the CCS hedges both the currency and interest rate risks of SunREIT's foreign currency loan with HSBC, while offering direct sustainability-linked incentives.

"The CCS' economic terms are directly linked to two specific sustainability performance targets that are in line with SunREIT's commitment to manage environmental impact," they said.

The metrics include the total renewable energy in MWh generated by all solar photovoltaic systems in the REIT's properties, and the weighted average building energy intensity measured in kWh per square metre of the building's gross floor area per year.

According to SunREIT and HSBC, REITs are in a unique position to address the challenges and risks posed by climate change, as an estimated 40% of global carbon dioxide emissions come from the real estate sector, according to a statistic cited by *Forbes*.

“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, among others, are prompting REITs to increasingly put sustainability at the forefront of their business,” they said.

SunREIT said it has pledged to achieve net zero carbon emissions by 2050, in line with the government’s ambitions of achieving carbon neutrality by 2050.

In working towards this goal, SunREIT is first aiming to halve emissions by 2030, by improving energy efficiency and using energy substitution to cut residual emissions by 45%.

The REIT also aims to have all of its tenants and hotel lessees take part in its Green Lease Partnership Programme by 2030.

According to HSBC Malaysia’s head of global banking Christina Cheah, the REIT industry has increased its focus on becoming more sustainable amid more emphasis by investors on ESG issues.

“This has accelerated the need to change the nature of capital and direct it 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.”

Meanwhile, Sunway REIT Management Sdn Bhd’s CEO Datuk Jeffrey Ng said the CCS allows the REIT manager to convert over 90% of SunREIT’s borrowings into sustainable finance.

“Importantly, the progressive outcomes ensure positive environmental impact, while incentivising Sunway REIT with lower financing costs,” he said.

SunREIT was unchanged at RM1.58 in morning trades on Friday, for a market capitalisation of RM5.41 billion.