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CIMB Group Holdings Bhd group chief executive officer (CEO) Datuk Abdul Rahman Ahmad (left) and Standard Chartered Malaysia managing director and CEO Abrar A Anwar.

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KUALA LUMPUR (Oct 20): CIMB Bank Bhd has entered into a sustainability-linked derivative (SLD) transaction with Standard Chartered Malaysia. The SLD takes the form of an interest rate swap with a notional value of RM2.45 billion for hedging purposes.

In a statement on Wednesday (Oct 20), CIMB said the ringgit-denominated SLD transaction is the first of its kind globally and Asia's largest environmental, social and governance (ESG)-linked derivative transaction by notional value to date.

Notably, the SLD transaction has been structured to involve a pricing mechanism where a discount or premium will be applied depending on whether CIMB Group Holdings Bhd — the listed holding entity of the bank — achieves its pre-agreed sustainability performance targets (SPTs).

"The ESG overlay of this instrument has been structured around two key performance indices (KPIs) that reinforce recently announced sustainability commitments made by CIMB Group.

The two KPIs are the group's percentile ranking for banks based on the S&P Global Corporate Sustainability Assessment in support of the group's aspiration to be an industry leader on the Dow Jones Sustainability Index, and reductions in Scope 1 and 2 greenhouse gas (GHG) emissions in line with the group's net zero ambitions.

The SPTs that have been set are material, ambitious, objective, measurable and

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verifiable by independent sources, according to the statement.

CIMB said further that it is keen to work with clients to execute more innovative treasury and derivative transactions with ESG-related pricing components or utilisation of proceeds going forward.

It added that it had also been active in offering loan or financing products and bonds or sukuk that are sustainable or sustainability-linked.

CIMB Group group chief executive officer (CEO) Datuk Abdul Rahman Ahmad said that the transaction demonstrates the banking group's commitment towards achieving its commitments to mobilising RM30 billion in sustainable financing by 2024, achieving net zero Scope 1 and 2 GHG emissions by 2030 and net zero GHG emissions by 2050.

"As a financial intermediary, we play a critical role in channelling financing and capital in ways that will support a just transition towards a net zero economy and greater social equity. In collaboration with our clients and partners, we look forward to introducing more innovative offerings, such as this SLD, in the sustainable finance space," he said.

Standard Chartered Malaysia managing director and CEO Abrar A Anwar commented that the attitude towards ESG issues had

transformed significantly but he still sees many companies facing challenges when it comes to incorporating sustainability.

"Despite their intention to transition to net zero by 2050, 67% of corporates have yet to take any action due to lack of capital.

"We are grateful for the opportunity to support CIMB with fulfilling their sustainability agenda as we collectively navigate net zero. Healing the world is a mammoth task, and this landmark deal shows how key collaboration is to making that happen. It isn't just about helping clients; we are looking inwards and making our own commitments.

"To that effect, Standard Chartered is working towards reaching net zero carbon emissions from our financing by 2050 as part of our strategic commitment to putting the world on a sustainable path to a zero-carbon economy," he said.

Notably, CIMB launched sustainability-linked loans for corporate clients in 2020 with an allocation of RM3 billion through 2024. In the first half of 2021, CIMB acted as the lead manager for the government of Malaysia's dual-tranche US\$1.3 billion sukuk wakala offering, where the US\$800 million sustainability tranche was the world's first US dollar sustainability sukuk offered by a sovereign.

CIMB also launched and priced the government of Indonesia's US\$3 billion global sukuk offering, including a US\$750 million green sukuk tranche.