

News Release

UOB and ADDX collaborate on Sustainability-Linked Digital Bond

Digitisation of \$50-million bond allocation uses blockchain and smart contract technology to achieve faster processing and lower cost in the custody and administration of the bond

Singapore, 7 October 2021 – UOB and digital securities exchange ADDX have concluded the digitisation and digital custody of the inaugural sustainability-linked bond recently launched by Sembcorp Industries (Sembcorp). This initiative comes amid a rise in the use of digital securities to enhance the efficiency of bonds and other fixed income instruments.

UOB was appointed as a joint lead manager for the \$675-million sustainability-linked bond issued by Sembcorp, through its wholly-owned subsidiary Sembcorp Financial Services (SFS). The bank also partnered with ADDX to custodise and manage a \$50 million portion of the bond.

Digital bonds make use of technologies such as blockchain and smart contracts to eliminate manual processes in the bond's custody and post-trade administration. A digital bond can be managed more efficiently as corporate actions such as coupon payments can be carried out with self-executing instructions on a single, distributed ledger. Digital bonds are also more efficient, less error prone and less costly for the issuer, investors and the banks underwriting the deal compared with traditional bonds.

Sembcorp's ten-and-a-half-year sustainability-linked bond is due in 2032 and has been priced at a coupon rate of 2.66 per cent per annum. Sustainability-linked bonds involve issuers pledging to improve their performance against tailor-made ESG (environmental, social and governance) targets. Through this sustainability-linked bond, Sembcorp has committed to a Sustainability Performance Target (SPT) of reducing its greenhouse gas emissions intensity to 0.40 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) or lower by 31 December 2025. If the SPT is not met, the coupon rate will step up by 0.25 percentage points per annum from the first interest payment date on or after 1 April 2026. The bond payment obligations of SFS will be unconditionally and irrevocably guaranteed by Sembcorp.

Mr Frederick Chin, Head of Group Wholesale Banking and Markets, UOB, said: "At UOB, we believe in being at the forefront of providing progressive financial solutions that meet the needs of companies. This means anticipating market trends and having the foresight to strike new collaborations with like-minded parties, such as ADDX.

“The collaboration with ADDX helps our corporate clients such as Sembcorp tap the benefits of digital bond issuance for security, time and cost efficiencies. Such initiatives enable our corporate clients in Singapore and across the region to engage a wider base of investors and enjoy the benefits of asset tokenisation. The use of distributed ledger technology (DLT) and asset tokenisation has strong potential in radically improving how capital markets can operate in the future and it is important our clients can take advantage of such new technologies.”

Ms Choo Oi Yee, Chief Commercial Officer of ADDX, said: “In the past year, digital securities have achieved a high level of acceptance among blue-chip issuers of bonds and other securities globally. The collaborative work by UOB and ADDX was pioneering in nature because it involved a sustainability-linked bond. Digital securities are in fact well-suited for this use case, because smart contract technology is designed to enable automated actions throughout the life cycle of a bond, including adjustments to the coupon rate, if needed. As digital bonds enter a phase of widespread adoption, the cost of fundraising through bonds and other fixed income instruments will continue to fall, and companies that embrace the new technology will be able to raise capital more efficiently.”

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About UOB

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of around 500 branches and offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world’s top banks: Aa1 by Moody’s Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

About ADDX

Founded in 2017, ADDX, previously known as iSTOX, is a full-service capital markets platform with MAS licenses for the issuance, custody and secondary trading of digital securities. The financial technology company raised US\$50 million in its Series A round in January 2021. Its shareholders include Singapore Exchange, Temasek subsidiary Heliconia Capital and Japanese investors JIC Venture Growth Investments (JIC-VGI) and the Development Bank of Japan (DBJ). Individual accredited investors using the ADDX platform today come from 27 countries, spanning Asia Pacific, Europe, and the Americas (excluding the US). ADDX is owned and operated by ICHX Tech. ICHX Tech has been approved by MAS as a recognised market operator (RMO). It also has a capital markets services (CMS) license to deal in securities and collective investment schemes as well as to provide custodial services.

ADDX is a future-ready capital markets platform set to usher in a new era for fundraising and investment. Through digital securities, ADDX offers a more innovative, flexible, inclusive, and efficient system for an emerging generation of investors and issuers. ADDX is on a mission to enable all users to transact exactly the way they want to and extend capital market access to a broader segment of the community. For more information, visit [ADDX.co](https://addx.co).

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