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HSBC lands Malaysia's first Green Trade Financing in Cocoa Sourcing

The bespoke financing supports Malaysian cocoa company Guan Chong Berhad's commitment for a more responsible supply chain

HSBC Amanah Malaysia (HSBC Amanah) has successfully completed a bespoke Green trade financing facility to Guan Chong Cocoa Manufacturer Sdn Bhd, a wholly-owned subsidiary of Guan Chong Berhad (GCB). The deal is the first green trade financing facility for sustainable cocoa sourcing in Malaysia.

The green financing supports GCB's sustainable ambition to achieve 100% Traceable and Sustainable cocoa by 2030 from its direct cocoa bean sourcing network.

GCB, the world's fourth largest cocoa grinder, has a long term vision of building a sustainable business that aims to positively impact the cocoa supply chain through their sustainability programme, Good Cocoa & Beyond, and its four pillars. This includes improving farmer incomes, protecting the environment, benefitting the farmers and their communities, and providing responsible cocoa. The Green Trade Finance provided by HSBC Amanah serves as a foundation in supporting this vision.

Stuart Milne, Chief Executive Officer, HSBC Malaysia said: "We are honoured to partner and support GCB in their commitment for a more responsible supply chain. The deal enables GCB to procure certified cocoa beans which supports agroforestry systems and ensures no cocoa-related deforestation. This milestone transaction marks the first green trade financing for sustainable cocoa sourcing in Malaysia as well as for HSBC Group."

Elsa Tay, GCB spokesperson said: "It is our vision to move towards sustainable practices that benefit both our customers and our business; and we are pleased to have HSBC Malaysia as one of our financing partners in this endeavour. In fact, HSBC's support will help in GCB's transition to achieve our ambitious yet necessary target of 100% Traceable and Sustainable cocoa by 2030 from direct supply chain."

HSBC Amanah's Green Trade Finance structure innovatively blended various post-shipment solutions for sustainable sourcing that can be clearly assessed, quantified, measured and reported.

Through trade documents, the procurement of certified cocoa beans by GCB – using sustainable sources – was attested to be in compliance with the environmental, social and/or economic aspects by recognised certification bodies¹.

With the above certification in place, the deal was in compliance with Green Loan Principles (GLP)², a framework which promotes the development and integrity of green finance products.

¹ For this programme with GCB, the certifiers recognised by HSBC are the following:-

1. UTZ: <https://utz.org/what-we-offer/certification/>
2. Rainforest Alliance: <https://www.rainforest-alliance.org/faqs/what-does-rainforest-alliance-certified-mean>
3. FairTrade: <https://www.fairtrade.net/standard/fairtrade-standards>

² Published by the Loan Market Association (LMA), the Green Loan Principles (GLP) were developed to promote the development and integrity of green finance products by providing a consistent methodology for use across the green financing market whilst allowing the financing product to retain its flexibility.

GLP's pillars include the use of proceeds, evaluation of underlying activities, management of proceeds, and reporting.

Andrew Sill, Country Head of Commercial Banking, HSBC Malaysia said: "We continuously engage with our corporate customers to see how we can support their business aspirations better. By understanding the specific goals and needs of GCB, HSBC was able to offer a bespoke green trade financing to exclusively fund GCB's environmentally-sustainable trade activities that adhere to the GLP."

GCB's sustainability ambitions aim to address the social, economic and environmental challenges in their supply chain especially in origin countries not only through certification and direct sourcing, but also by working with industry organisations. GCB joined the Cocoa & Forest Initiative (CFI) in early 2020 with the aim to support their commitment to end deforestation and restore forest areas by excluding any further conversion of forest land for cocoa production. This commitment to the CFI indicates GCB's strong intention to shape a more responsible supply chain, paving the way that led to this partnership with HSBC.

The three pillars in CFI are 1) Forest Protection and Restoration – pledging no further conversion of forest land for cocoa production; 2) Sustainable Production and Farmers' Livelihood – improving the productivity of farms to "grow more cocoa on less land" via Good Agricultural Practices and farm level crop diversification; and 3) Community Engagement and Social Inclusion – involvement of all farmer communities by developing gender and youth focused programmes and support the development of operational guidelines on resettlement and restoring living standards.

For more than 130 years, HSBC has played an important role in Malaysia's growth and development; opening up a world of opportunity for our customers, communities, and the wider society in the country. Throughout the years, HSBC continues to support Malaysian companies such as GCB by connecting them to business opportunities and enabling them to thrive in the domestic market as well as regional and international markets.

In Malaysia, HSBC is concentrating efforts to deliver HSBC Group's first sustainable banking entity with our Islamic banking subsidiary HSBC Amanah. This new plan by HSBC will accelerate our efforts with the HSBC Amanah transformation and more broadly support Malaysia's own climate ambitions.

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Note to editors:

HSBC Bank Malaysia Berhad

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. Today, HSBC Malaysia has a network of 67 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. 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.

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of \$2,959bn at 31 March 2021, HSBC is one of the world's largest banking and financial services organisations.

Guan Chong Berhad

Guan Chong Berhad (GCB) is a Johor-based company, a listed entity in the Main Board of Bursa Malaysia and is Asia's largest cocoa grinder and the fourth largest globally. The Group is principally involved in the manufacturing and distribution of cocoa-derived food ingredients, cocoa-related products and confectionaries such as cocoa powder, cocoa butter, cocoa cake, cocoa mass and industrial chocolate. Their products carry the main brands "Favorich", "Carlyle Cocoa", and "Schokinag" which are exported worldwide. The Group has operations in Malaysia, Indonesia, Singapore, Germany, Côte d'Ivoire, The Netherlands, the UK, and the US.

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