



# Forest Peoples Programme

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Simon Harris  
Chief Credit Officer  
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22<sup>nd</sup> May 2007

Dear Simon,

## **HSBC Forest Policies, Samling Timbers and RSPO**

Thank you for the informative meeting yesterday in Kuala Lumpur. It was good to be able to talk through in some detail the Samling issue and HSBC's due diligence requirements to ensure that HSBC avoids similar problems in the logging sector and establishes a credible system to ensure compliance with the RSPO standards in the future. I am particularly concerned about the latter as HSBC is a Board member of the RSPO and so it needs to be squeaky clean in its dealings with palm oil companies if the RSPO's credibility is not to be jeopardised.

With respect to Samling Timbers it is our view that HSBC should now require the company to suspend its plans to log on Penan lands and to work with the communities to develop maps acceptable to the communities which set out the areas claimed by the communities under customary law. The company should also agree that it will only enter and/or log any parts of the area so defined, in the future, once and if it has the agreement of the communities own freely chosen representatives. For HSBC to do otherwise would be to continue in violation of its forest policy and IFC Performance Standard 7 under the Equator Principles. If Samling refuses such an approach, your only option must be to withdraw your support for the company. As I mentioned, the situation in Guyana also needs to be addressed with equal thoroughness.

Meanwhile we look forward to learning at the HSBC AGM on the 25<sup>th</sup> May 2007, what HSBC has to say about the review of its due diligence and the decision to back the listing of Samling Timbers on the stock exchange.

From what we have been able to ascertain of the due diligence process that HSBC uses to screen timber companies, it seems that the majority of the advice you get is from forestry and conservation specialists. It is our view that equal if not greater attention is needed to address the social issues, for which you need additional expertise. This expertise is likely to be best secured locally in the various countries in which you invest. It also seems clear to us that in relying on consultants contracted by clients, in the way that Jaako Poyry was contracted by Samling, HSBC is weakening its ability to get sound independent information about clients' social and environmental performance. Moreover, it seems that such consultants are not being asked directly to review the clients' performance against the HSBC's policies, which is bizarre.

It was less clear to me from our meeting what additional measures HSBC will now put in place to ensure adequate screening of clients in the palm oil sector. As I noted, the social challenges in the sector are, if anything, greater than in logging and while your policy and the RSPO standard are clear in their requirements, quite detailed scrutiny of company performance will be needed to establish how or whether they are complying with these standards. I am willing to explore these matters further in greater detail in the future. It seems to me that HSBC staff need to be better informed of the HSBC Forest Policy and the RSPO standard. At the least, the company should develop a simple guide for company personnel and consultants which sets out clearly and succinctly what they need to do to assess the extent to which prospective or current clients conform to HSBC policies.

By separate post we are sending you a copy of the book, *Promised Land*, which includes the information about PT PHP, the Wilmar group subsidiary in West Pasaman District that we studied in 2005-2006, where an ongoing land conflict remains unresolved.

Regards

Dr. Marcus Colchester  
Director

Cc.  
Michael Geoghegan, HSBC  
Steven Green, HSBC  
John Williams, John Laidlow and Francis Sullivan, HSBC  
Scott Poynton, TFT  
Saskia Ozinga, FERN