



# Forest Peoples Programme

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12th October 2007

Dear Jon, John and Francis,

## **HSBC Forest Policies and due diligence processes**

It is with some disappointment that we are writing to you again to follow up the conversations and meetings that we had earlier this year regarding HSBC's support for Samling Global Ltd. You may recall a number of requests that we submitted to HSBC, both verbally and in writing, including: that HSBC undertake an internal review of due diligence procedures to determine why the application of the HSBC forest policy appears faulty; that HSBC provide a public response to the concerns raised about the continuing relationship with Samling Global; and that HSBC review the relationship with Samling under the requirements of the HSBC policy that allows HSBC *'to deal with customers who do not have FSC or equivalent certification but are following a credible path towards compliance within a maximum of five years'* (emphasis added). We are writing now with great concern that to our knowledge none of these requests have been met. The credibility of HSBC's professed concern for the forests and forest people is at stake.

You know from our previous correspondence (see especially our letter of the 27<sup>th</sup> of April 2007 – we attach them all for your convenience) all our reasons for the scepticism with which we greet Samling Global's claims to be improving their logging operations in line with HSBC's forest policies. Now, some five months after our meeting and last correspondence, HSBC has yet to respond publicly regarding the support extended early in the year to the public listing of Samling Global. This is despite our requests for such a public response.

As stated in our earlier correspondence, we see a serious risk for HSBC's reputation from this ongoing controversy. HSBC has positioned itself as a bank showing 'leadership in merging social, environmental and business objectives'.<sup>1</sup> HSBC is also a member of the Board of the Roundtable on Sustainable Palm Oil which seeks to promote major changes in the palm oil sector through reforms in investment standards and third-party certification. It is thus vital for the credibility not only of HSBC but also wider market-led reform processes such as RSPO that your review procedures are effective and reliable.

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<sup>1</sup> Strapline on HSBC email correspondence.

We will not review all the facts of the Samling Global case as we understand them, as this information is all provided in previous correspondence. However we would like to underline a few pertinent developments. Firstly, Samling Global continues to operate with no Forest Stewardship Council certification on any of its managed tropical concessions and does not appear to be on a credible path to attaining such certification. Secondly, the only certification that is active on Samling Global's tropical concessions is that of the Malaysian Timber Certification Council (MTCC), acknowledged to be significantly weaker than the FSC standards. The MTCC, according to press reports in the Malaysian press, has issued an ultimatum to Samling to resolve the long-running dispute with the Penan people over logging on Penan ancestral lands – or Samling risks seeing even the sub-standard certification of MTCC withdrawn from its concessions. Thirdly, the President of Guyana announced on the 8<sup>th</sup> of October the launch of a probe into large scale fraud allegations, citing the activities of Barama Limited in collusion with staff at the Guyana Forestry Commission.<sup>2</sup> Although the results of this probe will take some time to emerge, allegations of such severity against Barama Ltd. by the President of Guyana can only be taken to suggest that the suspended FSC certification for Barama's concessions will not be returned at any point soon.

In light of these developments, and the long list of concerns we have regarding HSBC's involvement with Samling that we have previously shared with you, we reiterate our concerns regarding HSBC's support of Samling. We have seen no evidence of reviews or changes made to internal due diligence procedures regarding the application of the forest policy and sustainability policy, and are concerned that no such improvements, reviews or changes have been made. We have seen no evidence of improved business activity by Samling Global in the intervening 7 months, nor any resolution to on-going disputes and conflicts with indigenous peoples in both Guyana and in Malaysia.

As a result, we have grave concerns about the depth of HSBC's commitment to the effective implementation of both the letter and the principle of your forest policy. It follows that we hold concerns about HSBC's role and suitability for the board of the Round Table on Sustainable Oil Palm, in the light of apparent failures in the internal application of your own policies. The RSPO requires active participation in the development of standards for companies to adhere to when investing in oil palm production, and leadership in ensuring that those standards are implemented. An institution incapable of effectively implementing its own internal policies would, we believe, struggle to implement industry wide standards and act as a moral and intellectual leader in the development of new standards.

We would be happy to discuss our concerns with you again in person, in a meeting held on the record, or to receive written responses to the queries and issues raised.

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Director

Helen Leake  
Policy Advisor

Cc. Micheal Geoghegan, HSBC  
Stephen Green, HSBC  
Scott Poynton, TTF  
Saskia Orziga, FERN

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<sup>2</sup> <http://www.stabroeknews.com/index.pl/article?id=56530610>