



# Forest Peoples Programme

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cc.

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22<sup>nd</sup> of February 2007

Dear Mr. Geoghegan,

It has come to our attention recently that HSBC is one of several international banks providing financial services for Samling Global Ltd. in its public listing on the Hong Kong stock exchange. According to the information available to us, HSBC support for this public listing will give the company access to up to 300 million USD for expansion and debt-repayment. HSBC backing for this public listing is in direct contravention of HSBC's forest sector guidelines and the Equator Principles to which HSBC is a signatory as it provides expansion potential to a company with a track record of disregard for sustainable forest management principles and fundamental human rights violations.

To illustrate, the Samling Group is currently involved in forestry and logging activities in the Upper Baram Basin in Sarawak in direct conflict with the indigenous peoples in the region who have been protesting against the company's logging operations since 2000. The Penan people, whose lands are covered by the concessions managed by Samling Group, have been running a long-standing protest against the company's activities<sup>1</sup> including through constructing non-violent blockades of logging access roads. On the 7<sup>th</sup> of February 2007 their road block was forcibly dismantled by the police<sup>2</sup>.

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<sup>1</sup> See for example the Penan protest letter sent to the Malaysian Timber Certification Council (MTCC) against certifying Samling logging operation at Sela'an-Linau as Forest Management Unit, Feb 25, 2005

<sup>2</sup> Bruno Manser Fonds Press Release <http://www.bmf.ch/en/news/?show=22>



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While activities in Malaysia are currently of most concern, Samling's global operations demonstrate the same disregard for the social and environmental impacts of their activities. Samling Global Ltd. has holdings, either past or present, in Cambodia, Guyana, New Zealand, China, Papua New Guinea and Malaysia. In Cambodia, their management practices and their inability to submit government required management plans have led to the cancelling of all Samling logging activities. An independent review at the time found Samling Global Ltd. among the worst of the extractive industry investors in Cambodia<sup>1</sup>. In Guyana, its majority owned subsidiary, Barama Company Limited, has been in long term conflict with indigenous peoples. In January 2007, due to significant and continuing non-compliance with certification requirements, its Forest Stewardship Council certification was suspended<sup>2</sup>. Given the behaviour of the company in non-certified areas and proven non-compliance in certified areas of forest, we have grave concern about any support from your bank that would allow these practices to be expanded over a greater area.

The Forest Peoples Programme recognize the significant commitment that HSBC has made to responsible investment and sustainable development through its support for the Equator Principles, through development of bank-specific guidelines (including forest sector guidelines), the Roundtable on Sustainable Palm Oil and through signing the UN Principles for Responsible Investment. These commitments place HSBC as an industry leader in commitments to social and environmental aspects of development financing. It is all the more surprising then to find HSBC providing support to the public listing of a company so stained by its record of unsustainable practices and violations of basic human rights.

By cooperating with Samling Global Ltd on the occasion of its listing on the Hong Kong stock exchange, Credit Suisse, HSBC and the Macquarie Group are making themselves part of the irresponsible and destructive logging practices and human rights violations of the Samling group. We do not believe that HSBC should be involved in any way in the activities of the Samling Group as the company has consistently been shown to be in violation of national and international laws and safeguards. With regards to HSBC's own sector guidelines on forest investment we note in particular HSBC's public commitment to the following:

- Although HSBC will form investment relationships with companies not currently certified by the Forest Stewardship Council, it will only do so when companies "are following a credible path towards achieving compliance within a maximum of five years" further "where customers do not have FSC or equivalent certification *and* are not taking credible action to achieve this, we will consider measures to exit such relationships": p2

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<sup>1</sup> GFA Terra Systems, August 2004, Cambodia. "Results of the Independent Review of Strategic Forest Management Plans prepared by Concession Companies Operating in Cambodia," Hinrichs, Alexander; McKenzie, Catherine, Phnom Penh, Cambodia. See also Chris Lang, 'Deforestation in Vietnam, Laos and Cambodia', in Vajpeyi, D.K. (ed.) (2001) *Deforestation, Environment, and Sustainable Development: A Comparative Analysis*. Praeger: Westport, Connecticut and London, pp. 111-137

<sup>2</sup> Rengah Sarawak Press Statement. <http://www.rengah.c2o.org/news/article.php?identifer=de0485t>



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- With regards to indigenous peoples, HSBC recognizes that “FSC principles cover the impacts on affected societies, such as land title and land use rights, the rights of indigenous peoples, benefits from forest land use. ***We will ensure that we are aware of these issues and that our customers are observing international standards in this respect***” [emphasis added]

Given the commitments of HSBC and in light of the poor record of the Samling Group in its operations in Malaysia, Guyana and Cambodia, we ask that HSBC explain how support for the public listing of Samling on the Hong Kong stock exchange does not constitute a violation of HSBC’s sustainable development principles, both internal guidelines and the Equator Principles. If such a violation does exist, then we ask for HSBC to cease their involvement with Samling’s listing immediately and stop your business relationship with the Malaysian logging group. We also ask for an explanation of how it was that the HSBC became involved in this listing without due diligence, and a copy of the deal prospectus prepared for the listing.

We look forward to learning how HSBC plans to deal with the concerns that we have raised in this letter.

Sincerely,

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