Log tale

A new investigation accuses HSBC of ignoring its own sustainability policies

Some big banks do little more than pay lip service to environmental issues. HSBC likes to think of itself as different. It has signed up to many initiatives, including the Equator Principles, a set of social and environmental standards launched in 2003 for project financiers. It was one of the first banks to have its implementation audited by a third party. The bank proudly trumpets the HSBC Climate Partnership, a $100m scheme with the WWF and others that provided clean water to more than 30m people.

An upcoming report points to a blot on HSBC's copybook: its financial support of unsustainable logging in Sarawak, a Malaysian part of Borneo. The bank maintains commercial ties with some of the most active logging and plantation firms there, despite their failure to meet HSBC's sustainability policies.

Sarawak has lost more than 90% of its "primary" forests to logging and has the fastest rate of deforestation in Asia. Sarawak has only 0.5% of the world's tropical forest but accounted for 25% of tropical-log exports in 2010. As timber stocks have become depleted, the loggers have moved into the palm-oil business, clearing peat-swamp forests to make way for plantations. The deforestation has been accompanied by abuses against indigenous groups, including harassment and illegal evictions. Allegations of corruption and abuse of public office dog Abdul Taib Mahmud, Sarawak's chief minister, finance minister and planning-and-resources minister, who is believed to have firm control over the granting of logging licences. Mr Taib has long denied being corrupt.

Global Witness, a campaigning group, has analysed the publicly available financial records of seven of Sarawak's largest logging and plantation companies. It identified loans and other financial services from HSBC that it estimates have generated at least $116m in interest payments and $13.6m in fees for the bank since 1977. Although lending has declined over the past decade, HSBC continues to list Sarawak loggers among its clients, in apparent violation of its own Forest Land and Forest Products Sector Policy.

On paper HSBC's forest policy gets high marks, including from BankTrack, a network of NGOs that monitors lenders. When it was drawn up in 2004, the policy required clients to have 70% of their activities certified by the Forest Stewardship Council (FSC), or equivalent, by 2009, with evidence that the remainder was legal. (The FSC is a global non-profit body that sets standards and does independent certification for logging and forest products.)

Not only did the seven firms analysed fail to meet that deadline, but none has any FSC-certified operations today. Ta Ann Holdings, for example, listed HSBC as a "principal banker" in its 2011 annual report. Ta Ann does not have FSC certification, and has failed to obtain full verification of the legality of its Sarawak concession under the independent "Verified Legal Origin" scheme. The firm has been accused of clear-felling rainforest that is home to endangered orangutan and of cutting down conservation forest for plantations. Ta Ann told Global Witness it is "collaborating closely with HSBC towards achieving full compliance" with its forest policy.

Another forestry conglomerate that is still banking with HSBC, according to its annual report, is WTK Holdings, whose intensive logging is widely believed by pressure groups to have caused landslides that ended up blocking a 50km (31-mile) stretch of river in 2010. None of WTK's operations is FSC-certified.

In all, Global Witness identified six loans, totalling $25m, made by HSBC to non-compliant Sarawak loggers since the bank introduced its forest policy. HSBC said in 2004 that it would stop doing business with clients that failed to make a reasonable effort to comply by 2009.

The Economist asked HSBC to comment. The bank declined to discuss its clients because of confidentiality, but said it is "not accurate" to state that its clients are in violation of its forestland and forest-products policy. It said current data show that 99% of its forest-sector clients worldwide (by size of lending) are "compliant" or "near-compliant" with its policy. What precisely it means by "near-compliant" is unclear. HSBC said: "We consider engagement rather than exclusion as the right approach for a responsible bank to take…In this way, we believe HSBC contributes more to sustainable development—and the long-term commercial viability of our customers' businesses—than if we were merely to exit customer relationships." It adds that it will stop working with firms that "do not make credible progress towards compliance within a given timeframe," though in some cases "we are obliged to wait until a loan facility expires."

Reflected greenery

The bank has parted ways with at least one Sarawak logger. It appears to have dropped Samling Global in 2010, around the time that the Norwegian Council on Ethics reported that the group had been logging inside a national park. It is true, too, that the bank is now lending only small amounts, if anything, to its remaining clients: the two most recent credit-related transactions identified by Global Witness were for less than $1m, and it is not clear if they were fresh loans or restructurings.

But as principal banker HSBC is likely to be offering other services, such as cash management. And its continued involvement, however modest, allows logging firms to claim credentials they don't deserve. Ta Ann, for instance, has run adverts saying it holds forest-policy certification from HSBC. That looks like a figleaf.

Fonte: The Economist, London, v. 405, n. 8809, p. 75, 3 a 9 Nov. 2012.