

In the future, there will be
no forests left.



HSBC has bankrolled logging companies causing widespread environmental destruction and human rights abuses in Sarawak, Malaysia. It has earned around US\$130 million in return and has violated its own sustainability policies. The bank is also providing financial services to companies widely suspected of engaging in bribery and corruption. This Global Witness investigation uncovers the role played by commercial finance in facilitating forest-related crime.

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Executive Summary

HSBC is the world's third largest publicly listed financial institution, with operations in 80 countries worldwide. With such a large global footprint, HSBC has sought to project an image of a responsible bank conducting legal and sustainable business operations.

This image was shot to pieces by a recent investigation by the United States Senate which concluded that HSBC has demonstrated a "pervasively polluted culture" that allowed money-launderers, drug dealers and suspected terrorists to move their money into the United States financial system¹. In the United Kingdom, where HSBC's headquarters are located, a criminal investigation by the Serious Fraud Office (SFO) uncovered HSBC's facilitation of US\$22.5 million of alleged kickbacks paid by a defence firm to a Saudi Arabian royal and other public officials via accounts in the Cayman Islands².

Global Witness has previously documented HSBC's track record of doing business with corrupt regimes and politically exposed persons (PEPs) engaged in corruption in countries such as Libya³ and Nigeria⁴. PEPs are broadly defined as a public official, their family members or close associates, who by dint of their position could have opportunities to appropriate public funds or be at risk of taking bribes⁵.

This report examines another aspect of HSBC's "pervasively polluted culture" – facilitating rainforest destruction and human rights abuses in Sarawak, Malaysian Borneo. HSBC's Sarawak clients, some connected to high profile PEPs, have played the leading role in the destruction that has left Sarawak with only five per cent of its once pristine tropical rainforests intact. These clients now dominate parts of the global timber industry, helped by the finance and kudos of association with a major international bank like HSBC.

For the last three decades, Sarawak has been governed by Chief Minister Abdul Taib Mahmud, who maintains political control over all land classification, allocation and forestry licence issuance and is widely believed to abuse this power to benefit his family and business

associates⁶. Evidence obtained by Global Witness suggests there is systematic bribery and corruption in the process of issuing or transferring all timber and plantation licences in Sarawak⁷. Taib is currently the subject of a probe by Malaysia's Federal Anti-Corruption unit⁸.

At least two of HSBC's current Sarawak clients are partially controlled by or owned by members of Taib's family⁹. By providing banking services to a sector notorious for endemic corruption and high-level political links, HSBC is at serious risk of violating international money laundering regulations, which require HSBC to carry out extra checks on PEPs in order to avoid handling suspicious funds.

Global Witness has analysed publicly available financial records of seven of Sarawak's largest logging conglomerates, and identified loans and services from 1977 to 2012 that have so far generated an estimated US\$130 million in interest and fees for HSBC¹⁰. Although HSBC's lending to forestry clients in Sarawak has declined in recent years, HSBC is continuing to support major firms in violation of its own policies, being listed as a "principal banker" of three publicly listed logging and plantation companies, and providing at least six new loans totalling US\$25 million since 2004 – the date HSBC implemented its flagship "Forest Land and Forest Products Sector Policy".

Such support contradicts HSBC's public commitments to due diligence and social and environmental standards. HSBC's forest policy required it to drop clients in the forest sector that did not have credible likelihood of achieving certification for at least 70 per cent of their operations to the standard of the Forest Stewardship Council (FSC) or equivalent, by the year 2009. Global Witness has found that none of HSBC's forestry clients analysed in this report hold a single FSC certificate or equivalent, representing a 100 per cent compliance failure. On the contrary, Global Witness investigations have uncovered multiple instances of unethical, destructive and sometimes illegal operations, including the following:

"Chief Minister Taib...doles out timber-cutting permits while patrolling the under-developed state using 14 helicopters, and his family's companies control much of the economy" (Sarawak).

Cables from U.S. Embassy in Kuala Lumpur to the U.S. State Department – published by Wikileaks

HSBC's Financials – 2011

Assets: US\$2.7 trillion

Pre-tax profits: US\$21.9 billion

HSBC In Sarawak's capital, Kuching.



© Global Witness

- Shin Yang group is logging and clearing pristine rainforest in an area proposed by the Malaysian authorities for national park status, including instances of illegal logging on steep slopes and along river banks. Local communities and ex-staff of Shin Yang have independently alleged the company hires armed gangsters to intimidate and assault those who voice concerns or act against the company's interests.
- Sarawak Oil Palms is clearing and draining globally-significant high conservation value peat forests for oil palm plantations, releasing vast quantities of greenhouse gas emissions. The company also cleared part of a proposed national park that was listed by the Malaysian government as a conservation area for threatened trees. The company is in conflict with local communities which claim native customary rights over areas where it operates.
- WTK group has been logging destructively – and most likely illegally – in pristine mountain rainforest in the “Heart of Borneo”. These operations triggered a series of catastrophic landslides that blocked Sarawak’s largest river for a 50km stretch in 2010.
- Ta Ann group is clear-cutting rainforest confirmed as habitat for the critically endangered orang-utan in the “Heart of Borneo”. The company advertises that it holds an “HSBC Forest Policy” certificate.

HSBC’s relatively progressive forest policies are only as good as their monitoring and implementation. Cutting off all financial services currently facilitating illegal and unsustainable logging and plantation operations is a critical step in halting the loss of the world’s remaining forests. All financial institutions have a duty to ensure their business does not fuel human rights abuses, environmental destruction or facilitate bribery, corruption and money-laundering. HSBC must stop dragging its feet and drop any clients that do not comply with the criteria or spirit of their policies.

Global Witness put the allegations contained in this report to the principal individuals and companies concerned. Responses were only received from HSBC, Chief Minister Taib Mahmud and Ta Ann, and these have been incorporated within the body of this report.

Recommendations

HSBC Holdings

- Immediately cease all commercial relationships with forest and plantation companies which have failed to meet HSBC's "Forest Land and Forest Product Sector Policy" (including Ta Ann, Shin Yang, Sarawak Oil Palms, and WTK).
- Immediately commission an independent compliance review to assess HSBC's relationships with all of its worldwide clients and their subsidiaries operating in the forestry sector, publish the results of that review, and drop all those found to be in violation of HSBC policies.
- Make the scope of the forest policy unambiguous, by applying it to "all financial services and investments" so as to include investment through shareholdings, and provision of banking services.
- Prohibit any relationships with clients where they or their subsidiaries operate in intact or high conservation value forests, as any industrial operations have "an adverse impact" in such forests.
- Amend its policy clause on biofuels and peat that refers to HSBC taking "a cautious approach" in this sector, so that HSBC applies a clear prohibition on logging in, or clearance of, peat forest.
- Review and strengthen social policy criteria to exclude relationships with any clients where there is evidence they are violating indigenous peoples' rights. This includes amending HSBC's current criteria of 'Free, Prior and Informed Consultation' to the internationally recognised standard of 'Free, Prior and Informed Consent'.
- Establish independent complaint procedures in high-risk countries to enable civil society to provide HSBC with information on the operation of its clients, and make publicly available country-specific forestry client lists to facilitate this function.
- Establish a compensation fund for local communities and ecosystems adversely affected by the operations of HSBC's forestry clients.

- Immediately investigate the accounts of any clients that are, or are connected to, politically exposed persons (PEPs) with interests in the forestry sector.
- Reverse the presumption that sources of funds are legitimate in cases of senior public figures from high risk jurisdictions. Rather than assuming that there is a plausible, legitimate source of funds for a public figure (or family members or close associates) HSBC should reverse its approach to assume that all funds from a public figure may be illicit unless otherwise demonstrated.
- Publish an independent audit of how successfully the bank has implemented its new compliance systems following the findings of the US Senate Permanent Subcommittee on Investigations.

Investment managers and institutional investors in HSBC

- Anti-money laundering and compliance failures pose serious risks to a bank's investors. These include the costs of any financial penalty, the diversion of senior management's time when they have to deal with the fall out from such failures and a hit to the bank's reputation. Investors should therefore demand that HSBC implements the recommendations for HSBC Holdings above.

HSBC household and business clients

- Write to HSBC demanding it stops bankrolling socially and environmentally destructive operations in the forest sector, as required by HSBC's own policies.

Association of Malaysian Banks and other international financial institutions

- Implement forest sector policies in line with the recommendations above.
- Sign the Equator Principles to meet international best practice for project financing.

A High Risk Sector in a High Risk Region

Sarawak is one of two Malaysian states on the island of Borneo. At 12.3 million hectares (ha), Sarawak forms nearly 40 per cent of Malaysia's landmass¹¹ and is extremely rich in natural resources.

Whilst industrial-scale logging had been taking place in Sarawak since the 1960s, the state's logging bonanza began in 1981 with the arrival of Chief Minister Abdul Taib Mahmud. Since then, virtually the entirety of Sarawak's forests have been licensed for logging and plantations¹². These concessions were awarded by the Ministry headed by Taib. By the early 1990s, HSBC had established itself as a core lender to Sarawak's logging industry¹³.

Abdul Taib Mahmud: Chief Minister, Minister of Resource Planning and Environment, Minister of Finance



"Key stocks on the exchange include a number of companies, mostly in plantations and construction, that are linked to the Chief Minister Abul Taib and his key business associates... Investor confidence has been strongest in these stocks given their political support."

'Sarawak 2011'. Oxford Business Group, commissioned by the Sarawak State Government.

Abuse of public office

Chief Minister Taib's three decades as Sarawak's premier have been dogged by allegations of corruption and abuse of public office. Alongside his premiership he is also Minister of Resource Planning and Environment, Minister of Finance and chairs the state's institutional investments in sectors including forestry and oil palm¹⁴. These institutions invest in, or develop land in "joint ventures" with private sector companies such as Ta Ann Holdings Bhd¹⁵ and Sarawak Plantations Bhd¹⁶ in which certain members of Taib's family are major shareholders¹⁷. Other members of Taib's family named in this report maintain directorial roles and shareholdings in some of the state's largest logging companies¹⁸.

According to senior government officials and members of Taib's family, Taib's powerful executive position and personal responsibility for the issuance of lucrative logging and plantation licences has enabled him to systematically extract "unofficial payments" from the state's timber tycoons for the enrichment of himself and his family¹⁹. Chief Minister Taib responded to Global Witness stating accusations of corruption are "wholly untrue and malicious"²⁰. In 2011, the Malaysian Anti-Corruption Commission (MACC) finally announced an official probe into Chief Minister Taib, which is ongoing.

Despite Malaysia's relatively strong anti-corruption laws and international commitments as a signatory to the United Nations Convention Against Corruption, a recent study by Global Integrity noted that there are significant gaps between the laws on the books and their actual enforcement,



Map of Malaysia indicating Sarawak

and gave the Malaysian government an overall score of "very weak"²¹.

Weak governance has also been cited as a driving factor in Malaysia's escalating levels of illicit capital flight out of the country, which is estimated to have amounted to US\$291 billion in the period 2000-2008, equivalent to nearly 24 per cent of GDP over the same period²². Issues of poor governance are especially pronounced in Sarawak's forestry sector, which the Federal Auditor General of Malaysia described as "not satisfactory"²³, highlighting "weak monitoring and enforcement" and "widespread infringements of licensing conditions"²⁴.

Destroying forests, marginalising people

Under Taib's tenure, Sarawak has become one of the largest exporters of tropical timber in the world. The state exports more tropical logs than all Latin American and African countries combined²⁵. In 2010, Sarawak accounted for 25 per cent of the world's exports of tropical logs, 15 per cent of global tropical sawn wood exports, and almost half of all tropical plywood exports by source country exporters²⁶. All of this from a forest estate which represents just 0.5 per cent of the global total²⁷.

The result has been an environmental, social and governance catastrophe. Sarawak now has less than five per cent of its intact forests remaining²⁸, whilst its indigenous communities, who depend on the forests and land for their livelihood²⁹, have been marginalised³⁰. A recent leaked study commissioned by the

Sarawak State Government estimated that the replacement value of the forest for indigenous Penan communities in one region is 75 per cent of household income³¹, and that the effects of logging have caused severe food security issues, leaving 31 per cent of children malnourished and 12 per cent seriously malnourished³². According to an international coalition of groups, including the Malaysian Bar Council, sexual violence and the exploitation of indigenous women and children has been attributed to the region's logging industry³³. These concerns have been repeatedly ignored by the Sarawak State Government, with Land Development Minister James Masing, stating that a lot of this sex was "consensual" and that "[the Penan] change their stories... when they feel like it. That's why I say Penan are very good story tellers"³⁴.

The native customary rights (NCR) of indigenous groups in Sarawak to their ancestral land are enshrined in the Sarawak Land Code and protected under the Malaysian Constitution. These rights have been reaffirmed by a series of high court judgments and are supported by standards under international human rights law³⁵. Despite this, the government has proceeded to licence nearly the entirety of Sarawak, including land claimed as NCR, for logging and plantations³⁶, whilst simultaneously blocking attempts by communities to have their NCR land mapped, recognised and gazetted³⁷. The result has been widespread environmental degradation and social conflict that at times has turned deadly³⁸. Since no satisfactory effort has been made by the state government to establish NCR claims³⁹ prior to licensing, there is doubt over the legality of all forestry licences and oil palm leases issued by the state government in Sarawak thus far, and thus all of the timber produced in the state.

Servicing forest destruction

HSBC's financial services have had a catastrophic effect on the world's forests and indigenous communities by helping Sarawak's logging and plantation giants to pioneer and ultimately expand their destructive model of business to every major tropical forested region in the world, almost always involving illegal logging scandals⁴⁰.

Global Witness' analysis shows that the Sarawak firms researched for this report, all past or present HSBC clients, are currently logging or converting forests to plantations in a dozen countries around the world, covering an area of 18 million ha of concessions – roughly three times the landmass of Norway⁴¹. Such expansion and its devastating impacts have been dependent upon access to



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Logged and degraded forests in Sarawak compared to intact forests in Brunei.

international financial services, and the reputational boost, of the kind provided by HSBC.

Given HSBC's resources and commitments, its due diligence processes should be robust enough to flag the systemic risks of Sarawak's logging sector, identify politically exposed persons (PEPs), and cease high risk relationships that connect HSBC to the kinds of operations and impacts described in this report. Global Witness believes HSBC's continued support for the sector suggests either the bank did not carry out adequate checks or it failed to sufficiently act on findings.

HSBC refused to confirm or deny to Global Witness the existence of any specific commercial relationships with Sarawak companies "for reasons of confidentiality". In relation to its forestry policies, HSBC stated that it "stands by its policy and robust implementation. All the sector policies are regularly reviewed – often as a result of constructive engagement with NGOs." And that it would "end relationships with our remaining non-compliant customers as soon as contractual obligations allowed"⁴².

In relation to anti-money laundering concerns that Global Witness raised, HSBC stated that it carries out "rigorous [know your customer] and enhanced due diligence checks on all PEPs, in all jurisdictions", and that the "involvement of a PEP in a company is not of itself sufficient grounds for exiting a commercial relationship"⁴³.



Hot air? HSBC publicising its corporate partnership with WWF

HSBC's voluntary corporate commitments at a glance

Policy	Key Commitments
UN Environment Programme Finance Initiative (Signed in 1997) ⁴⁴	HSBC supports a precautionary approach to environmental management, striving to anticipate and prevent potential environmental degradation. It seeks to form business relations with partners who follow similarly high environmental standards. It recognises the need to conduct internal environmental reviews and measure activities against environmental standards.
UN Global Compact (Established in 2000) ⁴⁵	HSBC is a corporate supporter and its director, Sir Mark Moody-Stuart remains co-vice chair. Supporters pledge to combat corruption in all its forms, support a precautionary approach to environmental challenges, promote greater environmental responsibility and respect human and indigenous rights.
Wolfsberg Group (Established in 2000) ⁴⁶	HSBC is a founding member of this group of banks which develop standards and guidance for international due diligence, know your customer and anti-corruption measures. However, the Wolfsberg Group has no means of verifying whether its members are actually implementing the guidance in practice.
Equator Principles (signed in 2003) ⁴⁷	The Equator Principles are intended to ensure that projects are developed in a manner that is socially responsible and reflect sound environmental management practices. Negative impacts on project-affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately.
HSBC's Forest Land and Forest Products Sector Policy (Introduced in 2004 and updated in 2008) ⁴⁸	Clients in the forestry sector must be on a credible path to achieving 70 per cent of their operations certified legal and sustainable to Forest Stewardship Council (FSC) standards or equivalent by 2009. Clients must obey all local or national laws in respect of logging, not operate in areas of high conservation value forest, and HSBC takes a cautious approach to development on peat land.

Our fundamental business is offering credit...in the corporate world. That means that we have learned by experience – and it is a journey – that money has to be used for the right purpose which is why we subscribed to the Equator Principles. If I'm honest, and we're talking about brand, in some ways that initially got us into trouble because of course what then happens is you attract the attention of the outside world who really want to say to you that you say you subscribe to the Equator Principles but actually look at this customer in outer Mongolia who is doing the following...."

"if a corporation doesn't make money...you can't actually take part in sustainable and community activities...There is nothing wrong with making a good profit. Without the good profit you can't actually do good in the world"

Irene Dorner, CEO of HSBC Malaysia 2007 – 2009, giving a talk on Corporate Social Responsibility in 2008.⁴⁹

Know Your Customer? HSBC and Samling Global

The commercial relationship between HSBC and the notorious Sarawak logging giant Samling can be traced back to Samling's origins. Company records show that, starting in 1979, HSBC provided two of Samling's major logging subsidiaries with their very first commercial loans. By 2001 HSBC had extended Samling with lines of credit amounting to US\$88 million, allowing Samling to begin and then escalate their logging operations in Sarawak⁵⁰.

In 2007, HSBC, alongside Credit Suisse and Macquarie floated Samling Global on the Hong Kong Stock Exchange. A number of NGOs, including Global Witness, criticised HSBC for going against the grain of their forest policy and progressive public commitments⁵¹, highlighting Samling's egregious track record of illegal logging, primary rainforest destruction and violation of indigenous rights in countries including Malaysia⁵², Cambodia⁵³ and Papua New Guinea⁵⁴.

A conspiracy of optimism

HSBC stood by Samling, stating that it had "given [HSBC] assurances that it remains committed to sustainable forestry and will pursue certification wherever possible"⁵⁵. Yet in the same year as Samling's flotation, its subsidiary in Guyana, Barama, was stripped of its FSC certification for failing to provide a forest management plan for a 378,000 ha concession compartment, starting major logging activities without an Environmental Impact Assessment, logging in indigenous land without prior informed consent, failing to attend to basic health and safety requirements for workers, and causing severe pollution and erosion⁵⁶. In addition, Barama was fined US\$474,000 for illegal



© Greenpeace / Joe Sabhath

logging and not declaring cut logs to the Guyanese Government⁵⁷.

Samling could not even manage to maintain its certificate from the far weaker Malaysian Timber Certification Council (MTCC) in Sarawak due to protracted conflict with local communities⁵⁸. In 2010, an investigation by the Norwegian Council on Ethics independently confirmed widespread illegalities in Samling's Sarawak operations, including logging inside a national park⁵⁹. In 2011, Samling's sister company Concord Pacific was ordered by the courts in Papua New Guinea to pay US\$100 million to affected communities whose communal forests were illegally destroyed by Concord, which used the guise of a road building project to conduct large-scale illegal logging operations⁶⁰. A year later, research by Global Witness showed that other Samling-linked companies were involved in secret deals to defraud communities of their forests in Liberia, a country struggling to recover from civil war⁶¹.

Samling's sister company Concord Pacific used the guise of a road project for illegal logging operations in Papua New Guinea

A Conspiracy of Optimism:

When each party has a propensity, in many cases knowingly, to strike agreements that are so optimistic as to be tacitly understood as improbable or impossible



© Global Witness

Company Register Malaysia showing one of Samling's first commercial loans from HSBC

COMPANY CHARGES (DETAILS)	
COMPANY NAME	: SYARIKAT SAMLING TIMBER SDN. BHD.
COMPANY NUMBER	: 30211-A
1. CHARGE NUMBER	: 001
NAME OF CHARGE	: THE HONGKONG AND SHANGHAI BANKING CORPORATION
ADDRESS CHARGE	: KUCHING SARAWAK.
CHARGE STATUS	: FULLY SATISFIED
TYPE OF INSTRUMENT	:
PROPERTIES AFFECTED	: MACHINERIES-TRACTORS
DATE CHARGE CREATED	: 29-03-1979
CHARGE TYPE	: FIXED AND FLOATING
CHARGE AMOUNT	: RM 5,000,000.00
DATE CERTIFICATE (FORM 40)	: 21-05-1979
DATE RELEASE/SATISFACTION (IF ANY)	: 31-12-1996

After three years of defending and assisting Samling, HSBC appears to have dropped the company in 2010⁶². Yet the damage had long been done: by the end of financial year 2007, Samling's value doubled⁶³, its operating profits increased by over 1000 per cent⁶⁴ and it had raised HK\$2.18 billion in share capital⁶⁵, helping it intensify its worldwide operations⁶⁶, whilst HSBC and its partners are estimated to have made a US\$18.3 million listing fee⁶⁷.

HSBC did not respond to Global Witness' specific allegations regarding its support for Samling, though it did state to Global Witness that it "consider[s] engagement rather than exclusion as the right approach for a responsible bank to

take. As such we will support clients who are on a credible path towards achieving compliance with our policy. In that way, we believe that HSBC contributes more to sustainable development than if we were merely to exit customer relationships, in which case there would be less incentive for companies to move towards more sustainable operations" HSBC added that it "will, however, exit relationships with companies that do not comply within a given timeframe." HSBC also stated to Global Witness that "Since 2009, HSBC has indeed exited – or is in the process of exiting – any remaining client relationships in this sector where clients have not shown credible steps to meeting our policy criteria"⁶⁸.

Previous Global Witness campaign in 2007 criticising HSBC's support for Samling

Selling ourselves as a green bank in one country.
Enabling forest logging in another.
It's just a different point of view.

HKBS
The world's confused bank

HSBC's Client Book

Client: Shin Yang Group of Companies



HSBC loans	\$33.63 million
Estimated interest to HSBC	\$37.48 million
Corruption Risk/ Politically Exposed Persons (PEPs)	<ul style="list-style-type: none"> Former Director of the Sarawak Forestry Department, Leo Chai, is now five per cent shareholder of a major Shin Yang subsidiary. Shin Yang is alleged to have bribed communities to vote for Chief Minister Taib's coalition during elections.
Environmental Credentials	<ul style="list-style-type: none"> Zero per cent of operations certified FSC or equivalent in Sarawak or abroad. Currently conducting intensive logging and forest clearance in pristine rainforest within proposed national park, involving illegal logging and desecration of ancestral grave sites. Circumvention of EIA process.
Social credentials	<ul style="list-style-type: none"> Violation of indigenous peoples' land rights. Uses armed gangsters to intimidate and assault local communities and employees.

HSBC cultivates an image of environmental and social responsibility in the forestry sector, while simultaneously financing companies directly engaged in forest destruction and community conflict. One stark illustration of this duplicity is HSBC's loans and financial services to the Shin Yang group.

Shin Yang is controlled by the powerful Ling family⁶⁹, who over the last thirty years have diversified their timber transportation business to now incorporate logging, timber processing, plantations, construction and shipping⁷⁰.

None of Shin Yang's logging subsidiaries have concessions that are independently certified as sustainable⁷¹ and there is evidence to suggest that Shin Yang is engaged in illegal activities. Shin Yang's forestry operations have previously been flagged by the Human Rights Commission of the Federal Government (SUHAKAM) for their violations of indigenous land rights and "glaring flaws" in its impact assessments, which denied the existence of indigenous communities in a plantation area, despite community locations being available at the district office⁷².

Global Witness investigations into Shin Yang's operations in the Ulu-Belaga region reveal Shin

Yang subsidiaries are currently logging, clear felling and planting oil palms over one of Sarawak's last pockets of pristine primary forest, inside an area that has been formally proposed by Sarawak's authorities as a national park⁷³ and lies within the flagship multilateral conservation initiative, the "Heart of Borneo".

As of February 2012, less than ten per cent of the 135,000 ha of this proposed national park remained unlogged⁷⁴ and satellite measurements indicate that during 2005-2010, this concession

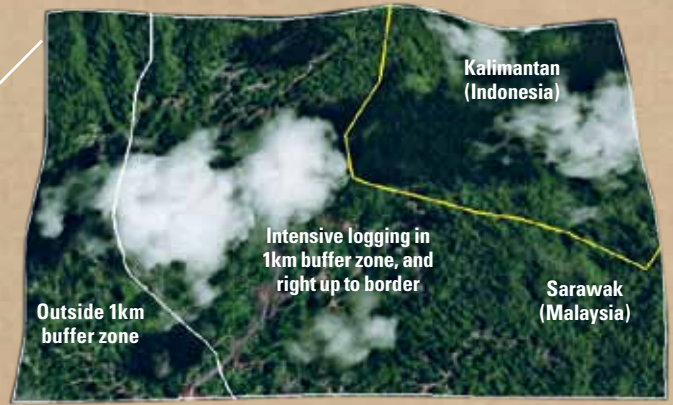
Shin Yang's Managing Director
Ling Chiong Ho's house in Miri



© Global Witness



Map of Shin Yang's Destruction of Ulu-Belaga



Logging right up to the border (2°35'10N 115°6'35E)



Intact forest earmarked for logging (2°35' 15N 115°10'41E)



Rampant logging in excess of limits (2°32'17N 115°07'00E)



Shin Yang destroying ancestral grave site of indigenous Penan community in the proposed 'Danum Linai National Park'

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© Global Witness



Shin Yang's plywood factory in Bintulu, processing logs from the Danum basin. This factory received its first commercial loans from HSBC, totalling US\$22 million since 1997.⁸⁸

was the largest single area of intact primary forest to be lost anywhere in Borneo⁷⁵.

Global Witness has documented how the company illegally cleared along river banks and bulldozed ancestral gravesites of an indigenous community during oil palm plantation development. Satellite images obtained by Global Witness of Shin Yang's timber operations further upstream indicate intense and massively destructive logging of primary forest, including illegally logging on steep slopes and logging right up to within metres of the Indonesian border, in contravention of standard Sarawak regulatory practice of leaving a 1km buffer zone along international borders⁷⁶.

The practice of formally proposing protected areas but failing to officially gazette them for protracted periods has recently been flagged by the Malaysian Auditor General⁷⁷. Logging in these proposed conservation areas has been highlighted in a number of reports⁷⁸, including the report by the Norwegian Council on Ethics in 2010⁷⁹ and the International Tropical Timber Organisation (ITTO) in 1990⁸⁰. The Shin Yang subsidiary logging the proposed Danum-Linai National Park is five per cent owned by Leo Chai, who should be considered a PEP as being the former Director of the Sarawak Forestry Department, under whose tenure it is likely the Danum-Linai National Park was proposed⁸¹.

Multiple independent sources, including former Shin Yang staff and communities affected by the company's operations, provided testimony to Global Witness alleging various abuses carried out by Shin Yang. Global Witness was told that Shin Yang supervisors routinely bribed and intimidated local communities so that they would vote for Chief Minister Taib's coalition at elections⁸². Former staff also told Global Witness that "armed gangsters" had assaulted Shin Yang staff suspected of speaking out against company operations⁸³. One villager told Global Witness that "armed gangsters" visited their village and shot livestock following complaints by the community to company management about logging operations⁸⁴.

In 2004, five months after establishing its Forest Policy, HSBC provided the Ling family's primary investment company with a US\$3.6 million loan⁸⁵. This company is the principal investor in all the subsidiaries documented in this case study as carrying out illegal and unsustainable activities.

The close relations between HSBC and the Shin Yang group are also demonstrated in its provision of financial services to its new publicly listed shipping company, Shin Yang Shipping Corporation Bhd, which transports timber from Sarawak to international markets⁸⁶, and which lists HSBC as a "principal banker"⁸⁷.



Client: Sarawak Oil Palms Bhd (SOPB)

HSBC loans	\$25.57 million
Estimated interest to HSBC	\$9.10 million
Corruption Risk/ Politically Exposed Persons (PEPs)	<ul style="list-style-type: none"> Sarawak Oil Palms’ directors include Gerald Rentap Jabu⁸⁹, son of the Deputy Chief Minister Alfred Jabu Numpang who is Deputy Chairman of state institutional investor PELITA⁹⁰, the largest shareholder in SOPB⁹¹. He is also Minister of Rural Development and Minister of Modernisation of Agriculture⁹².
Environmental credentials	<ul style="list-style-type: none"> Not certified by Roundtable on Sustainable Palm Oil (RSPO). Clearing “globally significant” high conservation value peat forest for oil palm, including areas proposed by Malaysian authorities as a National Park.
Social credentials	<ul style="list-style-type: none"> Violation of indigenous peoples’ land rights.

Peat forests have carbon stores underground that greatly exceed those of any other terrestrial ecosystem⁹³. Their disturbance is particularly harmful in exacerbating global climate change. Satellite analysis shows that in the period 2005 – 2010, breakneck forest clearance for oil palm expansion saw Sarawak lose 33 per cent of its peat forests, and 10 per cent of its total forest cover⁹⁴.

HSBC acknowledges the impact of plantations on peatland in its Forest Land and Forest Products Sector Policy, while the Roundtable on Sustainable Palm Oil (RSPO) – on whose board HSBC sits – also states that extensive peat forest clearance for oil palm should be avoided⁹⁵.

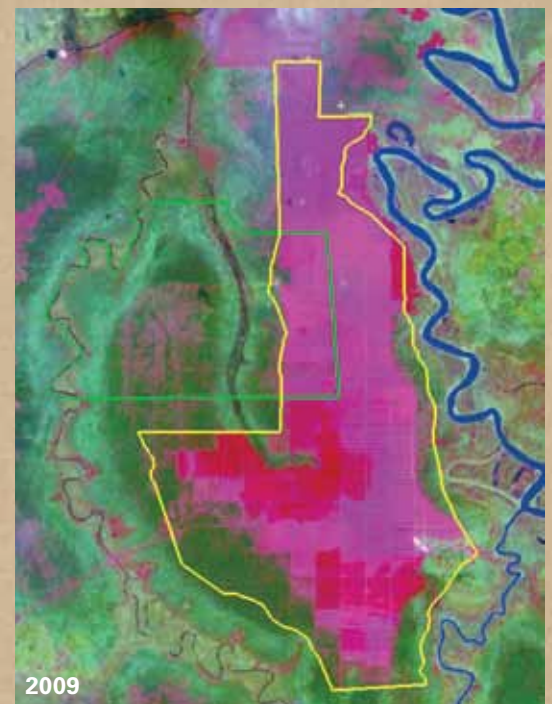
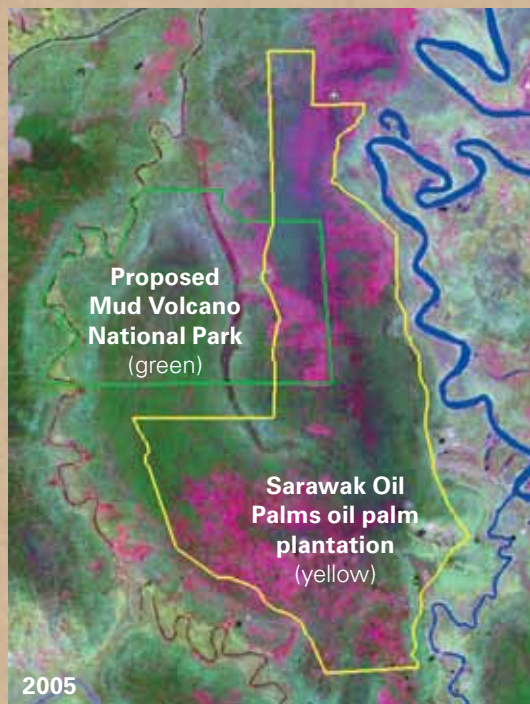
Yet Sarawak Oil Palms Bhd, an HSBC client, has, over the last five years been clearing, draining and planting oil palms⁹⁶ on a “globally significant” peat dome that is 12 metres thick at its deepest point

having formed over 4,500 years⁹⁷. Satellite images show that much of the area was in a pristine or largely undisturbed state as recently as 2003⁹⁸. The area was considered high conservation value by departments of both the Sarawak and Federal Malaysian Government, and approximately 1,400 ha of the estate overlapped with the proposed Mud Volcano National Park⁹⁹, which was home to thousands of threatened ramin trees and was referred to as a conservation area and protected catchment in a 2008 report presented by Malaysia to the Convention of International Trade in Endangered Species¹⁰⁰.

Satellite images show almost all of the oil palm concession was cleared and drained between 2005 and 2009, including the area of overlap with the proposed National Park. Global Witness investigations and satellite analysis confirm the remaining parts of the concession have since been cleared and is in the process of being



Satellite images showing recent deforestation (pink areas) within SOP oil palm plantation (yellow boundary) that overlaps with the Proposed Mud Volcano National Park (green boundary).



© Landsat, analysis by Global Witness

planted.¹⁰¹ Until 2007, the concession was held by Shin Yang, another HSBC client, and thereafter held by Sarawak Oil Palms¹⁰², in which Shin Yang is a major shareholder. HSBC has been listed as “principal banker” for Sarawak Oil Palms from 2002 until 2011.¹⁰³ Company records also show that HSBC provided Sarawak Oil Palms with US\$25.6 million in loans during 2003, on which it is estimated to have accrued US\$9.1 million in interest.

The plantation overlaps with an area that local communities claim as within their native customary rights (NCR) to ancestral land under Sarawak land law. These communities claim that the lease to clear, drain and plant their land with oil palm was issued without any consultation or the prior informed consent of local communities, and that no compensation has been provided for loss or damage to their properties and land. Complaints lodged by these communities to authorities have remained unaddressed. In 2012 two affected communities resorted to filing a civil suit against the lease holder and the Sarawak State Government¹⁰⁴.

In addition to being on the executive board of the Roundtable on Sustainable Palm Oil (RSPO), HSBC states in its forest policy that it takes a “cautious approach” to clients involved in developments on peatland, and “has a preference for clients who seek certification under the new RSPO”¹⁰⁵. Yet the company is acting as “principal banker” to a firm which has been clearing forest on some of the deepest peat anywhere



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in the world and which is not seeking, nor could ever possibly obtain, certification. Research commissioned by Global Witness suggests there could have been as much as 38 million metric tonnes of CO₂ stored in the peat dome prior to clearance and draining – roughly equivalent to the annual carbon emissions of Hong Kong¹⁰⁶. After the initial release of an estimated 2 million metric tonnes of CO₂ from clearing the forest itself, vast quantities of CO₂ will continue to be released into the atmosphere as the peat dome continues to be drained for oil palm development.

Recent clearance in SOP's plantation



© Global Witness

“We recognise that commercial activity in peatlands can have negative local impacts on biodiversity and communities, as well as wider impacts on climate change due to the significant levels of carbon dioxide captured in peat. We therefore take a cautious approach to business proposals in this sub-sector”

HSBC Forest Policy

Aerial photo of SOP's oil palm plantation



Client: WTK Holdings Bhd

HSBC loans	\$38.69 million
Estimated interest to HSBC	\$20.26 million
Corruption Risk/ Politically Exposed Persons (PEPs)	<ul style="list-style-type: none"> • Taib’s two daughters, Jamilah and Hanifah Taib, own an investment holding company with a significant shareholding in WTK¹⁰⁷. • Taib’s brother Tufail is a director of a major WTK logging subsidiary¹⁰⁸.
Environmental Credentials	<ul style="list-style-type: none"> • Zero per cent of operations certified FSC or equivalent in Sarawak or abroad. • Responsible for destructive – and likely illegal – logging which precipitated a series of massive landslides culminating in the ‘logjam’ ecological disaster of 2010.
Social Credentials	<ul style="list-style-type: none"> • In dispute with local communities in areas of operations¹⁰⁹.

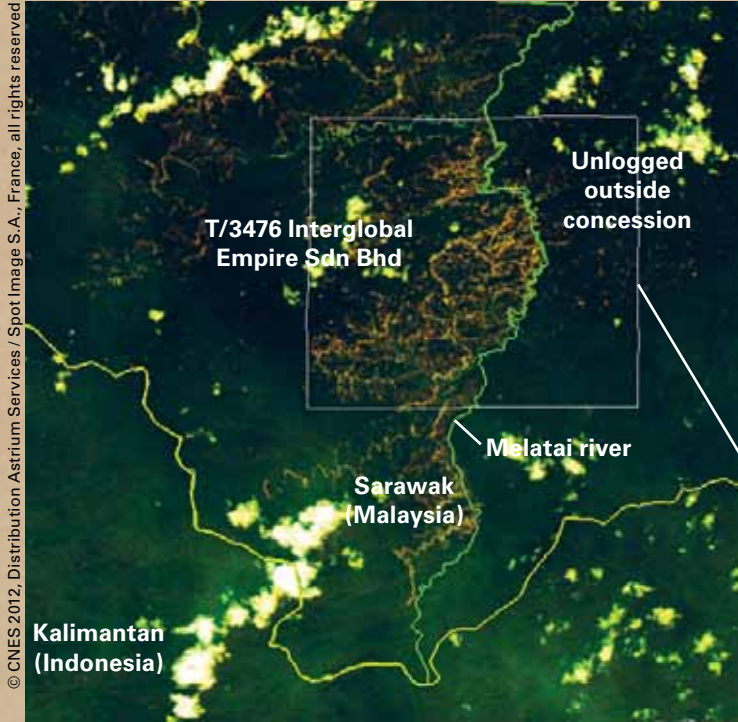
In October 2010, a series of huge landslides led to a vast volume of logs and woody debris flooding Sarawak’s largest river, the Rajang, completely blocking it for a length of more than 50 kilometres¹¹⁰. Described by a government minister as an “ecological disaster”, the “logjam” reportedly killed two people, destroyed fish stocks and severely polluted water sources¹¹¹. Many – including prominent ministers – attributed the disaster to uncontrolled logging upstream (especially breaches of harvesting regulations meant to prevent erosion)¹¹², whilst the institutions in charge of the state’s forests denied it, asserting it was a natural disaster caused by heavy rains¹¹³. To back up this claim, the Sarawak Forest Corporation published a small sample of 3D

imaging from the area that appeared to show landslides in both unlogged and logged areas¹¹⁴.

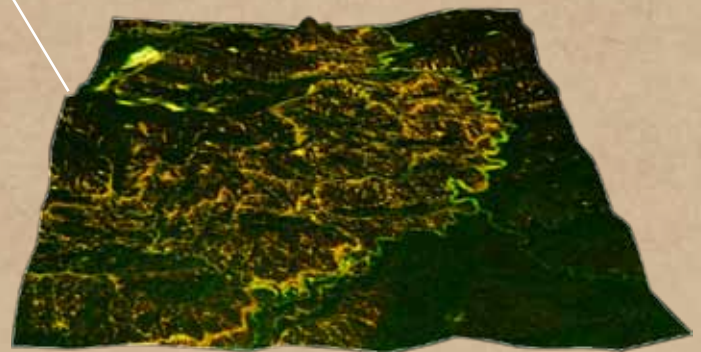
Global Witness has used this sample to identify the source of the landslides and obtained high resolution satellite images from the time the logjam occurred. The results contradict the claims of the forest authorities, as they clearly demonstrate that the overwhelming majority of landslides occurred in the logging concession T/3476 issued to Interglobal Empire, a subsidiary of the WTK group¹¹⁵. Most of the landslides originate where WTK have cut logging roads across steep slopes, have excessively cleared to the side of roads, and have cleared down to rivers.



The ‘logjam’ on the Rajang river, Sarawak, October 2010



Rampant logging practices which precipitated landslides (1°20'04N 113°40'37E)



The Sarawak Government never published its probe into the logjam disaster. It is Global Witness' opinion that WTK was logging illegally and that this was the cause of the disaster. This is consistent with explanations of the logjam's causes given by Sarawak's Land Development Minister and a former senior official of the State's forest agency.¹¹⁶

HSBC is listed as a "principal banker" in the 2011 annual report of WTK Holdings Bhd¹¹⁷, and has provided WTK's timber operations with nearly US\$40 million in credit since 1990¹¹⁸. Majaharta Sdn Bhd, owned by Chief Minister Taib's two daughters, is disclosed as a significant shareholder of WTK Holdings Bhd in its annual report¹¹⁹.

WTK has no forestry operations which are independently certified as sustainable¹²⁰, whilst the satellite image of its operations in T/3476 shows the company is logging in one of Sarawak's

last remaining pockets of pristine forest within the "Heart of Borneo". HSBC continue to maintain its commercial relationship with WTK, in violation of their forest policy.

The WTK group has expanded to countries including Brazil and Papua New Guinea engaging in similarly destructive operations. In the 1990s, WTK's former subsidiary Amaplac was one of the top 10 companies fined by the Brazilian Environment Agency (IBAMA) for possessing illegal logs¹²¹. Reviews of WTK's operations in Papua New Guinea found a "lack of compliance" with rules governing harvesting operations, highlighted serious concerns regarding labour rights and a complete lack of any health and safety procedures for workers¹²². The Department of Community Development also listed a number of serious negative social and environmental impacts from WTK's logging operations, especially on women and their families.¹²³



Client: Ta Ann Holdings Bhd

HSBC loans	\$17.65 million
Estimated interest to HSBC	\$5.31 million
Corruption Risk / Politically Exposed Persons (PEPs)	<ul style="list-style-type: none"> Abdul Hamid Sepawi, the first cousin of Chief Minister Taib is Chairman and 35 per cent shareholder of Ta Ann¹²⁴.
Environmental Credentials	<ul style="list-style-type: none"> Zero per cent of operations certified FSC or equivalent in Sarawak or abroad. Clearing orang-utan habitat in the "Heart of Borneo"¹²⁵.

HSBC has provided the Ta Ann subsidiary which is clear-felling tropical rainforest home to the critically endangered orang-utan with loans totalling US\$15 million, starting in 1993¹²⁶. The latest loan of US\$6.1 million was in November 2004, after the introduction of HSBC's forest policies designed to exclude such operations¹²⁷. Global Witness estimates that the interest HSBC accrued from this loan was US\$932,000.

Ta Ann's 2011 annual report shows that HSBC remains a "principal banker" yet HSBC's Forest Policy states that, by 2009 it requires its clients to have 70 per cent of their operations certified as sustainable to Forest Stewardship Council (FSC) or equivalent standards. Ta Ann has no operations in Sarawak that are independently certified to FSC or equivalent standards and has failed to obtain full independent verification of legality for its

concessions in Sarawak¹²⁸. It would be impossible for most of Ta Ann's timber concessions to be certified sustainable since they are overlapped by licences issued to Ta Ann for clearfelling¹²⁹. Ta Ann has one subsidiary in the Australian state of Tasmania, certified to the weaker PEFC standard, but this subsidiary is itself a controversial operation owing to its logging in areas of Tasmania's old growth forest¹³⁰ that the government believes meet criteria for World Heritage status¹³¹.

Ta Ann has failed to meet HSBC's forest policy criteria, stating in its annual report that gaps exist between its operations and HSBC's standards¹³², yet the company continues to advertise that it has an "HSBC Forest Policy" certificate¹³³. This demonstrates that the benefit to an HSBC client is not just financial, but also reputational. In this case a company engaged in destructive logging

COMPANY CHARGES (DETAILS)

COMPANY NAME : TA ANN PLYWOOD SDN. BHD.
 COMPANY NUMBER : 208737-T

15. CHARGE NUMBER : 015
 NAME OF CHARGE : HSBC BANK MALAYSIA BERHAD
 ADDRESS CHARGE : 131 JALAN KAMPUNG NYABOR
 96000 SIBU
 SARAWAK
 CHARGE STATUS : FULLY SATISFIED
 TYPE OF INSTRUMENT :
 PROPERTIES AFFECTED : MACHINERY AND EQUIPMENT AS STATED
 IN FORM 34 (ASSET SALE AGREEMENT)
 DATE CHARGE CREATED : 04-11-2004
 CHARGE TYPE : FIXED
 CHARGE AMOUNT : RM 18,741,864.00
 DATE CERTIFICATE (FORM 40) : 30-11-2004
 DATE RELEASE/SATISFACTION (IF ANY) : 15-03-2007



Ta Ann sustainability advertisement in Oxford Business Group's investment publication "The Report, 2011"

practices is using the name of a major international bank to promote its activities as sustainable.

Ta Ann stated to Global Witness that it is "collaborating closely with HSBC towards achieving full compliance with HSBC Forest Policy issued in January 2008 which aims at minimizing adverse environmental and social impacts and ensuring business sustainability"¹³⁴.

Ta Ann's chairman and largest shareholder, Abdul Hamed Sepawi is a politically exposed person (PEP), being the first cousin of Sarawak's allegedly corrupt Chief Minister Taib Mahmud, who also heads the ministry that awarded Ta Ann with its lucrative logging and plantation licences. Ta Ann also benefits from a close relationship with other arms of government chaired by Taib Mahmud, such as its investment institution, PELITA, which

supports the development of 'joint venture' plantations with Ta Ann totalling nearly 77,000 hectares¹³⁵. A senior government official told Global Witness that Ta Ann was one of a number of companies that made illicit offshore payments to Chief Minister Taib for the issuance of lucrative licenses. Ta Ann stated to Global Witness that it "does not obtain its timber licences and land leases from the Sarawak State Government through bribery nor does Ta Ann engage in illicit transactions. Ta Ann rejects these unsubstantiated allegations"¹³⁶.

Recent investigations by Global Witness show that Sepawi's logging interests have now extended to Liberia, where a company in which he has a 60 per cent stake is involved in secret deals to defraud landowners in Liberia, a country struggling to recover from its recent civil war¹³⁷.

Conclusion

This report provides a window onto a world in which commercial finance facilitates destructive forest operations. Sarawak's unscrupulous logging companies are destroying forests and people's livelihoods, but they could not have operated without an equally unscrupulous supporting cast of bankers, lawyers, lobbyists and public relations agents who are all too happy to facilitate and legitimise such operations for a share of the spoils.

HSBC is by no means alone. In the course of this research, Global Witness has documented financial links between Sarawak's loggers and other international banks including Overseas Chinese Banking Corporation (OCBC), Citigroup and Standard Chartered Bank¹³⁸. While HSBC's forest policies are ahead of most banks, HSBC has dragged its feet by failing to fulfil its promises.

Signing up to voluntary principles has provided a reputational boost not only for HSBC, but also for its clients seeking to market their products around the world. HSBC appears to all too easily accept vague promises from these clients that they will change their ways when their appalling track record points to the exact opposite.

Sarawak's loggers, flush with cash from their timber bonanza, have now expanded their devastating business operations to many of the world's remaining forests, where they have demonstrated similar contempt for the local environment, laws and regulations and the rights of forest-dependent communities.

Time is running out to conserve the 20 per cent of the world's forests that remain in a pristine

state. There is a growing body of evidence indicating that industrial-scale logging in tropical forests cannot be both ecologically and economically sustainable¹³⁹. Successive rounds of harvesting quickly degrade fragile ecosystems until commercial value for natural timber and conservation is considered so low that that it is cleared and converted to plantations.

The effects of financing unscrupulous logging operators are dire and irreversible, both for communities and for the critical local and global ecological functions that healthy forests provide. In Sarawak, the legacy left by HSBC's clients is profound. Thirty years of 'sustainable forest management' by Sarawak's pioneering industrial-scale loggers has left the state with less than five per cent of its forests intact, robbed indigenous communities of their livelihoods and decimated the unique biodiversity of Borneo.

As the world's third largest bank, HSBC has the resources and know-how to ensure that it does not fuel corruption or do business with highly destructive companies. Its services for this notoriously corrupt and destructive industry raise serious questions regarding HSBC's commitment to the voluntary and regulatory standards that it purports to subscribe to.

As long as HSBC's forest policies remain empty aspirations, as they are at risk of being, the incentive for their clients and indeed other banks to promote legal and ethical business is nil. In the wake of HSBC's recent scandals, the time to address compliance failure, at all levels, is now.

Endnotes

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64. Ibid. Chairman's Statement. Page 9.
65. South China Morning Post, 'HSBC reviews green due diligence', 10/05/2007, archived at http://www.illegal-logging.info/item_single.php?it_id=2091&it=news, accessed 25/10/2012
66. Samling Global Annual Report 2007, 'Updates on Growth Strategies and Future Plans', Page 11 – 13.
67. Letter from HSBC to Global Witness in response to Global Witness' allegations, 16 October 2012
68. South China Morning Post, 'HSBC reviews green due diligence', 10/05/2007, archived at http://www.illegal-logging.info/item_single.php?it_id=2091&it=news, accessed 25/10/2012
69. Company profile document from Company Register Malaysia of Shin Yang Holdings Sdn Bhd, the principal investment holding company of the Shin Yang Group. The shareholders are Ling Chiong Ho, Lin Chiong Seng, Ling Chiong Sing and Ling Chiong Pin.
70. Faeh, Daniel, commissioned by Bruno Manser Fonds, 'Development of Global Timber Tycoons in Sarawak, East Malaysia', February 2011; Shin Yang Group have recently listed their shipping company, Shin Yang Shipping Corporation Bhd.
71. There is no current Forest Stewardship Council (FSC) or equivalent Forest Management Units in Sarawak. One of Shin Yang's concessions (Zedtee Sdn Bhd) is the licensee for the Anup-Muput Forest Management Unit) briefly obtained certification to a lower, local certification standard (MTCS) but has since lost it in 2008 after a four year process but lost the certification again two years later after failing to undergo a required audit (see MTCC Newsletter, Volume 4, Issue 5, Oct-Nov 2010, <http://www.mtcc.com.my/MTCC%20Newsletter/MTCC%20News%20Vol.4,%20Issue%205,%20October%20-%20November%202010.pdf>, p6, accessed 25/10/2012).
72. Human Rights Commission of the Malaysian Federal Government (SUHAKAM), 'The Murum Hydroelectric Project and its impact towards the Economic, Social and Cultural Rights of the Affected Indigenous Peoples in Sarawak'. 2009, Pages 8-9.
73. Locality Map of Forest Timber Licensed Area, produced by the Forest Department in May 2010.
74. Measured from Landsat ETM 7 satellite image February 2010.
75. Intact Forest Landscapes are relatively large, contiguous areas of primary, unlogged forest. Maps of these areas for Borneo for 2000, 2005 and 2010, produced by Greenpeace/WRI, were obtained from <http://www.intactforests.org/index1.html>, overlaid in Google Earth Pro and areas lost measured.
76. Though it is not defined in specific legislation or regulations available publicly, and relevant maps for T/3342 which would show it could not be obtained, information from numerous sources states that it is Sarawak government policy to prohibit any logging or forest clearance within 1 kilometre of the Indonesian border. This 'buffer zone' is described and shown on maps in Environmental Impact Assessments (EIA) and also shown on maps accompanying official Permits to Enter Coupe (PECs) for other areas in Sarawak for which documents have been obtained. For instance, Ecosol Consultancy Sdn Bhd: Plantacia Sdn Bhd, Environmental Impact Assessment Report for Tree

- Planting under Licence for Planted Forests LPF/0010 in the Sibuan and Kapit Divisions, Sarawak, Sept 1999; Ecosol Consultancy Sdn Bhd: Tamex Timber Sdn Bhd, Environmental Impact Assessment for the Re-entry hill logging under timber licence T/0294, Limbang and Miri Divisions, Nov 2008.
77. Laporan Ketua Audit Negara, Aktiviti Kementerian/ Jabatan/Agensi Dan Pengurusan Syarikat Kerajaan Negeri Sarawak, Tahun 2008, page 91.
 78. Jomo, K.S et al. 'Deforesting Malaysia: The Political Economy & Social Ecology of Agricultural Expansion and Commercial Logging'. 2004, Page 174.
 79. Samling group's subsidiary Ravenscourt Sdn Bhd was logging in the proposed extension of the Pulong Tau National Park. Documented in Norwegian Council on Ethics, Report on Samling Global. 22/02/2010, Pages 13-18.
 80. International Tropical Timber Organisation (ITTO), 'Report Submitted to the International Tropical Timber Council by Establish Mission Pursuant to Resolution I (VI) 'The Promotion of Sustainable Forest Management: A Case Study in Sarawak, Malaysia' 1990, Paragraph 193, page 50
 81. Sumada Sdn Bhd is a 5% shareholder of Shin Yang Industries (Bintulu) Sdn Bhd, licensee of timber license T/3342. Leo Chai and his family are 100% owners of Sumada Sdn Bhd. Company profile documents from Company Register Malaysia.
 82. Testimony gathered by Global Witness from communities and former staff of Shin Yang in 2011 and 2012.
 83. Ibid.
 84. Ibid
 85. Charges 010 and 011 to Shin Yang Holdings Sdn Bhd. Charge documents from Company Register Malaysia.
 86. Shin Yang Shipping Corporation Bhd, Annual Report 2011, Page 11.
 87. Ibid, Page 6.
 88. Charges 001, 002 and 007, totalling RM70 million (\$22.8 million) to Shin Yang Plywood (Bintulu) Sdn Bhd. Charge Documents from Company Register Malaysia.
 89. Sarawak Oil Palms Bhd, Annual Report 2011, Page 7.
 90. PELITA Website, <http://www.pelita.gov.my/board.html> Accessed 17/10/2012
 91. Sarawak Oil Palms Bhd, Annual Report 2011, Page 107.
 92. Sarawak Government website, <http://www.sarawak.gov.my/en/sarawak-government/executive> Accessed 17/10/2012.
 93. Wetlands International, 'Factbook for UNFCCC policies on peat carbon emissions', December 2009, pages 6-8.
 94. Sarvison, 'Impact of oil palm plantations on peatland conversion in Sarawak 2005-2010', 2011, <http://www.wetlands.org/Portals/0/publications/Report/Malaysia%20Sarvison.pdf>, accessed 25/10/2012
 95. Roundtable on Sustainable Palm Oil, Principles & Criteria, Criterion 7.4, <http://www.rspo.org/file/RSP0%20Criteria%20Final%20Guidance%20with%20NI%20Document.pdf>, accessed 25/10/2012
 96. The area in question is the 12,909 hectare Lot 1207 Puyut Land District, issued with a 60 year provisional lease issued to by the Sarawak State Government in 2007.
 97. Wetlands International, 'A Quick Scan of Peatlands in Malaysia', 2010, page 67.
 98. Ibid. page 60.
 99. Measurements by Global Witness from the Locality Map of Forest Timber Licensed Area, produced by the Forest Department in May 2010.
 100. CITES SC57 Inf 4, Report on conservation and management of Ramin (*Gonystylus* spp.) in Malaysia, presented to the 57th meeting of the CITES Standing Committee, 14-18 July 2008, <http://www.cites.org/common/com/SC/57/E57i-04.pdf>, accessed 25/10/2012
 101. As demonstrated by Landsat satellite image from January 2012.
 102. Sarawak Oil Palms Bhd, General Announcement, 20th July 2007, Reference No SO-070720-62637 <http://announcements.bursamalaysia.com/EDMS/Annweb.nsf/LsvAllByID/482568AD00295D074825731E003647D9?OpenDocument>, accessed 25/10/2012
 103. Sarawak Oil Palms Bhd, Annual Reports, 2002-2011, <http://www.sop.com.my/index.php?page=annual-report>
 104. Correspondence seen by Global Witness. Two communities are taking civil action against the leaseholder and the state government, challenging the lease.
 105. HSBC Forest Land and Forest Products Sector Policy, 2008, http://www.hsbc.com/1/PA_esf-ca-app-content/content/assets/csr/080905_forest_land_and_forest_products_sector_policy_summary.pdf
 106. Research commissioned by Global Witness using peer-reviewed findings from similar ecosystems. Mean peat value of carbon in peat dome is modeled on a figure of 2,774 tC per hectare, which gives 35,793,750.4 tonnes for the 12,903 hectare plantation, and 180+/-108tC per hectare stored in the intact forest on top of the peat, which gives 2,322,540tC over 12,903 hectares of the plantation; for estimations of carbon in the peat, see J. Jaenicke, J.O. Rieley, C. Mott, P. Kimman, F. Siegert (2008), Determination of the amount of carbon stored in Indonesian peatlands; for estimations of carbon in the peat forest, see Murdiyarso, D., Hergoulec'h, K. & Verehot, L.V., Opportunities for reducing greenhouse gas emissions in tropical peatlands, P. Natl. Acad. USA 107, 1965519660 (2010); Figure of Hong Kong's industrial emissions is for 2008 and excludes Land Use, Land Use Change and Forestry (LULUCF) and natural background flows of CO2, UN Statistics Division.
 107. WTK Holdings Bhd, Annual Report 2011, Pages 134-135. Company Profile of Majaharta Sdn Bhd, from Company Register Malaysia.
 108. Company Profile of Song Logging Company Sdn Bhd, from Company Register Malaysia.
 109. Communities in Ulu Niah have been served an eviction notice by the WTK's oil palm subsidiary, Medan Mestka Sdn Bhd for their 'provisional lease' at Lot 85, Sewai Land District.
 110. The Star, '50km logjam on the Rajang river', 09/10/2010
 111. Ibid.
 112. Ibid; Borneo Post, 12/10/2010, 'Many attribute recent logjam at Rajang River to soil erosion at Baleh'; New Straits Times, 'Sarawak area a 'war zone' owing to excessive logging', 14/10/2010.
 113. Borneo Post, 'Batang Rajang logjam to be explained at DUN - BorneoPost Online', 22/10/2010, <http://www.theborneopost.com/2010/10/22/batang-rajang-logjam-to-be-explained-at-dun/>, accessed 16/10/2012
 114. Ibid.
 115. Official Forest Department 2010 concession maps confirm the licence as T/3476. Already a part of the broader WTK Group, Interglobal Empire was brought into the KLSE-listed WTK Holdings in 2007, at which time it was revealed that the company had the licence to a 63,890 hectare logging concession in the Upper Rajang. Measurements taken from concession maps confirm that T/3476 is exactly this size; none of the other concessions in the Upper Rajang are even close to this size, and all have been positively attributed to other companies using additional source documents, including Environmental Impact Assessments and published company reports.
 116. New Straits Times, 'Sarawak area a 'war zone' owing to excessive logging', 14/10/2010; Free Malaysia Today, 'Ex'forestry director was lying about logjam, says colleague', 15/03/2011, <http://www.freemalaysiatoday.com/category/nation/2011/03/15/ex-forestry-director-was-lying-about-logjam-says-colleague/>, accessed 25/10/2012.
 117. WTK Holdings Bhd, Annual Report 2011, page 2.
 118. Charges to WTK's Timber Subsidiaries Kuching Plywood, Limpah Mewah, Linshanhao Plywood (Sarawak), Sarawak Moulding Industries and Song Logging Company. Charge documents available at Company Register Malaysia.
 119. Company profile of Majaharta Sdn Bhd shows it is owned by Taib's daughters Jamilah and Hanifah. Profile document from Company Register Malaysia; The 'top 30 shareholders' are disclosed in WTK Holdings Bhd, Annual Report 2011. Pages 134-135.
 120. Three of WTK's plywood mills in Sarawak do have chain-of-custody certification under the Malaysian Timber Certification Scheme (MTCS), but (contrary to WTK's claims) this only means the mills are qualified to handle certified wood, not that they actually do.
 121. Greenpeace Media Briefing (June 2000). 'WTK-AMPLAC'. <http://www.greenpeace.org.uk/files/pdfs/migrated/MultimediaFiles/Live/FullReport/1939.PDF>, accessed 25/10/2012.
 122. Forest Trends '2006'. 'Logging, Legality and Livelihoods in PNG: Synthesis of Official Assessments of the Large-Scale, Logging Industry, Volume II, page 74.
 123. Ibid.
 124. Ta Ann Holdings Bhd, Annual Report 2011, page 215.
 125. 'Ta Ann Group, Environmental Impact Assessment for LPF/0010, September 1999, page 33'
 126. Charge no 011, 013 & 015. Charge documents for Ta Ann Plywood Sdn Bhd, from Companies House Malaysia
 127. Charge No 015. Charge documents for, Ta Ann Plywood Sdn Bhd, from Companies House Malaysia; HSBC, *Forest Land & Forest Products Sector Policy*, May 2004
 128. Three of Ta Ann's timber licences were verified as 'Verified Legal Origin' in 2009 under the independent TLTV legality auditing system operated by SGS. Ta Ann was unable to obtain verification under the scheme to the more meaningful 'Verified Legally Compliant' (VLC) standard (which includes actual inspections of harvesting operations) within the required 2 years, and the VLO verifications have now lapsed as a result.
 129. Global Witness, 'Pandering to the loggers', 2011, op. cit., page 10
 130. Huon Valley Environment Centre, 'Behind the Veneer: Forest Destruction and Ta Ann Tasmania's Lies', September 2011, available online <http://www.scribd.com/doc/72216112/Ta-Ann-Final-Report-2011-Web>, accessed 25/10/2012
 131. Australian Department of Sustainability, Environment, Water, Population and Communities, 'Capstone Report - Final Report on the Work of the Independent Verification Group for the Tasmanian Forests Intergovernmental Agreement', March 2012, page 18, http://www.environment.gov.au/land/forests/independent-verification/pubs/ivg_capstone_final1-1.pdf, accessed 25/10/2012
 132. In Ta Ann's 2011 annual report, it states that its plan for 2012 is to "continue proactively implementing measures to close the "gaps" between our current forestry practice". Ta Ann Holdings, Annual Report 2011, Page 39.
 133. Ta Ann advert entitled 'Green Sustainability' in Oxford Business Group, 'The Report: Sarawak

2011', Page 87. This is an investment prospectus report commissioned by the Sarawak State Government, see Chief Minister's website, <http://chiefministertaib.sarawak.gov.my/en/perspectives/literature>, accessed 25/10/2012

134. Letter from Ta Ann to Global Witness in response to Global Witness' allegations, 10 October 2012

135. Ibid

136. Current gross area, figures obtained from a list of PELITA-Ta Ann joint ventures available in Ta Ann Holdings Bhd, Annual Report 2011, Page 33-35; The area planted in these joint ventures is available on PELITA website 'Plantation Development', [http://](http://www.pelita.gov.my/plantation_development.html)

www.pelita.gov.my/plantation_development.html, accessed 25/10/2012. This list excludes the newest joint venture through Pelitama Sdn Bhd, which is planting on 39,020 hectares, as detailed in Ta Ann Holdings Bhd's Announcement to Bursa Malaysia, 28/09/2012, <http://www.bursamalaysia.com/market/listed-companies/company-announcements/1078037>, accessed 25/10/2012.

137. Perkapalan Damai Timur Sdn Bhd is 60% shareholder of Atlantic Resources Ltd; Company Profile of Perkapalan Damai Timur Sdn Bhd, from Company Register Malaysia; Global Witness, 'Liberian forests to be flattened by secret logging

contracts', 04/09/2012, <http://www.globalwitness.org/signingtheirlivesaway>, accessed 25/10/2012

138. For instance, OCBC Bank is listed a Principal Banker of Sarawak Oil Palms Bhd, whilst Citibank are listed as a 'principal banker' of WTK Holdings Bhd and Standard Chartered Bank have also recently provided financial services to WTK subsidiaries.

139. Shearman, P, Bryan, J, Laurance, W, 'Are we approaching 'peak timber' in the tropics? Biological Conservation, Vol 151, Issue 1, July 2012, Pages 17-21; Zimmerman, B and Kormos, C. 'Prospects for Sustainable Logging in Tropical Forests'. BioScience 62: 479-487.

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