

Common Questions About Samling and Forestry

1. What is forest certification?

First of all, there is a clear distinction between forest license to operate and certification. While all companies are required to have a license to operate legally, forest certification is voluntary and is designed to send a market signal to buyers that the products they purchase are derived from forests that are managed to particular environmental and social standards. Forest certification was intended as a seal of approval – a means of notifying consumers that a wood product comes from forests managed in accordance with strict environmental and social standards.

The prominence of third-party certification continues to grow worldwide. There continues to be a varied approach to evaluating well-managed forests, with multiple certification bodies.

Forest certification is not a static process, rather it is a means for certified companies to strive for continuous improvements over a period of time throughout their operations.

2. Where is Samling Global certified?

Samling Global has been working to achieve certification for many years. Directly resulting from these efforts, the Group has achieved certifications for several of its forest resources, namely in Malaysia and New Zealand.

We have certified areas in Malaysia (55,949 hectares) and in New Zealand (35,000 hectares).

3. What happened to your certification in Guyana?

Our Forest Stewardship Council's (FSC) certification was suspended by an independent assessor accredited by FSC following their surveillance audit in November 2006. While we regret the decision of the independent assessor to suspend the company's FSC certification in Guyana, we have addressed the necessary actions needed to lift the suspension. These include: conducting the necessary tests, conducting refreshment training on first aid treatment, installing the necessary facilities at the camp sites within our concession, and procuring and upgrading the necessary equipment recommended by the independent assessor.

In the meantime, we will continue operating, producing and selling logs from our forest concession in Guyana, but such logs will not carry the FSC identification.

For more information, please go to www.baramaguyana.com

4. How does the FSC certification process work?

FSC certification is carried out by FSC accredited certification bodies. FSC itself does not certify forest operations or manufacturers.

Forest management certification is a voluntary process and involves an inspection of the forest management unit by an independent FSC-accredited certification body to check that the forest complies with the internationally-agreed FSC Principles & Criteria of Forest Stewardship.

If the forest complies with FSC standards, then the FSC accredited certification body issues a certificate for the area. Certified forest operations can claim the forest products they produce come from a responsibly managed forest.

5. Samling Global's certification in Guyana was suspended by the Forest Stewardship Council (FSC) in January 2007 because of the company's failure to meet basic ecological and social standards. How do you explain yourselves?

Samling Global takes this suspension very seriously and is concerned. Our certification was suspended by an FSC-accredited assessor, SGS Qualifor, and not the FSC itself which is a certification body. Our certification in Guyana was suspended following the assessor issuing major corrective action requests (CARs). These CARs were primarily related to worker amenities, staff health and safety practices, monitoring of non-timber activities (such as mining activities conducted by third parties) within operational areas, maintenance of buildings and equipment, fire safety and signage as well as issues relating to road building (such as road maintenance, restoration of degraded sites and improvement to road planning by performing road profiling) and maintenance of a website to publish a summary of the forest management plan and monitoring results.

We have since taken steps to ensure that corrective actions are addressed. We have also sought the help of the FSC, the Government of Guyana, WWF, and ASI (the assessor of SGS Qualifor, our assessor) to clarify the circumstances leading to suspension. As a group, we have decided that it is appropriate for us to seek reinstatement only after an assessment confirms that we are in full conformity of all provisions set out by the FSC, and all non-conformities identified have been addressed. Samling Global is mindful that this process will take time, and we are committed to it for the long term.

To put things in perspective, we were the first and only company in Guyana to voluntarily undergo the very rigorous FSC-certification process, so it was a learning process and we have taken strides in moving ahead with the certification. Even though certification is voluntary, we have intentionally embarked on certification in order to raise our standards and those of the industry.

Following the suspension, our operation in Guyana is not affected, but the logs extracted are not FSC-certified.

For more information, please go to www.baramaguyana.com

6. Samling Global is one of Malaysia's biggest logging companies. Are you responsible for the ongoing destruction of large areas of tropical rainforest?

This is a grave misconception. Samling Global subscribes to sustainable forest management guidelines and has gone over and beyond the legal requirement through certification, which is voluntary. We operate within the law and under licensing rules and regulations which requires that we act responsibly.

We are proud of our track record and certifications across our plantations and concession areas show Samling Global's commitment to responsible forest management practices which are benchmarked to recognised international and regional standards.

7. Some NGOs claim that native communities are being threatened by Samling Global's operations. Why is Samling Global determined to destroy the rainforests on the indigenous peoples' native land?

This is completely untrue. Samling Global is concerned about the various indigenous communities and many groups live and work in the areas where we operate. There are 24 different indigenous groups living in Sarawak and we have the Kenyahs, Kayans, Kelabits, Lun Bawang, Iban, Penans, Punans, Saban, Berawan and others live within our concession areas.

We are subject to and operate within the confines of the law which the government prescribes, including the well-being of indigenous people. Before we begin operations, we always consult with the local communities to get their feedback and come to amicable agreements before we carry out harvesting work. In fact, in almost all the areas we operate, we accede to the requests of the natives.

Over the years, we have helped countless groups of indigenous people who have had to live under very trying situations to settle into more comfortable lives. The roads we have built linking local communities to main roads enable those living in the forest to access

education, medical, and social facilities more conveniently. Prior to our presence in the forest, the only mode of transportation was by the various rivers and streams, which proved to be hazardous and time consuming, frequently taking the natives days to reach their intended destinations. Now, using the roads we have built, those living in the forest are more mobile and are able to commute between destinations in a much shorter period of time, so that they are able to spend more time with communal and commercial activities.

Samling Global also contributes to the native communities in many other ways. We provide building materials for the communities to build their longhouses, schools and churches, and also assist in providing generators for electricity and gravity-feed water, channeling fresh water supply to villages. We also support community projects like coffee planting so that the indigenous people have an additional source of income. The roads we build provide access for the communities to sell their farm and forest produce in the local markets and to our staff in our operation areas.

Furthermore, the Group provides employment to many indigenous people who have chosen to work with us.

We have been working actively with the various indigenous groups to integrate and accommodate their community activities within our operations. As a result, we have signed petitions from various groups of indigenous people, supporting Samling Global's local initiatives.

8. Was Samling Global active in Cambodia and Papua New Guinea in the past, where it was involved in illegal logging activities?

Samling Global is not involved in any business operation in Papua New Guinea and Cambodia. The Company has confirmed with Samling Strategic that one of its indirect subsidiaries, SL International Limited, previously had operations in Cambodia, but such operations have ceased since January 1, 2002. In relation to the allegations about its operations in Cambodia, the Company has confirmed that, to the best of its knowledge and belief (having consulted with the directors of SL International Limited), the allegations against SL International Limited are unfounded. In any event, the Government of Cambodia, by decree through the issuance of Declaration (Prakas) No. 5721, suspended all logging operations in Cambodia from January 1, 2002. SL International Limited therefore withdrew its operations from Cambodia.

9. What are the Company's key outstanding litigations? How will Samling Global be affected if the final jurisdiction is unfavourable?

There are new developments with regards to the outstanding litigations that relate to native customary rights to land where the company is a defendant.

Three of the five plaintiffs namely, the 1st, 4th and 5th plaintiffs in the 2003 action have discontinued their action on 16.8.2007 and 25.8.2007 and the remaining 2nd and 3rd plaintiffs claims have been struck off with costs by the Bintulu High Court on the 3.10.2007 upon the application by Tamex Timber Sdn. Bhd, a subsidiary of Samling.

Remaining actions include a claim filed in 1998 and also a recent one in 2007. To date, the proceedings remain pending before the Malaysian courts.

In the 1998 claim, four plaintiffs claiming to represent four Penan villages are seeking a declaration from court that they have native customary rights over land, which happens to fall into the concession area licensed to us. Part of the disputed land encroaches on part of our certified Sela'an Linau forest management area. Based on the locality map in their claim, we estimate the contested area to be approximately 57,000 hectares, which is almost as large as Singapore. In August 2007, one of the Plaintiffs discontinued the legal action.

In addition, the plaintiffs' claims are disputed by the inhabitants of three neighbouring Kenyah villages who claim that they have acquired native customary rights over a very substantial part of the disputed area. The Kenyahs have also commenced an action and obtained judgment against the Penan plaintiffs over claimed native customary rights in part of the disputed area.

The real issue concerns the government and the local communities. It is unfortunate that since our concession/plantation areas are located on contested land, we have been named co-defendants.

We do not own the land and we are either the licensee or a logging contractor in the disputed areas. As such, we do not have any authority to grant any group rights to the land. Like all operating and living in the forest, we are required to follow the rules and regulations related to the license issued to us by the government.

In 2007, five Plaintiffs claimed to represent Long Lamai, a Penan village, are claiming rights to land, part of which is in our concession area.

Samling understands the concerns of the Long Lamai community. At the same time, we are surprised by the recent lawsuit because we have not operated in the claimed area since 2000. We understand that the lawsuit was filed by a splinter group from the Long Lamai community and the majority of residents are unaware of the legal proceedings.

Based on the locality map in their claim, we estimate the contested area within our concession to be approximately 31,000 hectares. We confirm that of the total claimed area, we have carried out selective harvesting in about 7,000 hectares, however, these operations ended in 2000. Samling has yet to start operation in the remaining area.

It is unfortunate that part of the area claimed as Native Customary Land is within our concession area, which is why we have been named in the lawsuit. However, Samling does not own the land and is only licensed to operate on it. As such, we are required to follow the rules and regulations related to the license issued to us by the government.

10. What does Samling Global plan to do if the indigenous people continue putting up blockades?

Samling is part of the forest community and we realise the importance of living and working harmoniously with our neighbours., we do our best to accede to their requests so that we can co-exist peacefully.

When a local community puts up a blockade, it is often the first indication that they want to negotiate and tell us what they need. These blockades can be as simple as a string across the road.

In the case of Long Benalih, which consists of the Penan community, the blockade was made up of logs. The issue with the Penans in Long Benalih is interesting and complex because the land which the Penans have blockaded does not belong to them

In 2003, the community from Long Benalih put up the blockade to object the construction of road by Samling, who is licensed to operate in the area. The road will benefit the various communities so that they can have better access and convenience in their daily lives. Samling has not harvested in the Long Benalih area where the blockade is erected and continues to engage the communities in dialogues. Early this year, it is the authorities who have ordered the blockades to be dismantled.

In other areas where there have been blockades, we have offered our assistance and tried to accede to their requests. Most of the times goodwill agreements result, following a negotiation process between Samling and the local community , where their demands are

met in an amicable manner, allowing us to live and work in a mutually beneficial environment.

11. Did Samling Global have anything to do with the removal of the blockade set up by the Penans removal at Long Benalih?

No, Samling Global is a forestry company and not in the business of blockade removal. We strictly adhere to the laws which govern our industry. We understand that the Long Benalih blockade was removed by the authorities because there are various different native communities who live in the same area. So even though certain natives in a particular group may have an issue with road construction, other native communities welcome road access.

To put things in perspective, the contested road serves all indigenous communities, besides the Penans. The state government has an obligation to continue with development plans to strengthen infrastructure in the areas for the benefit of all the indigenous communities so that they can have access to education, healthcare, and other activities.

12. If the Group says it cares for the native communities, why are you not listening to the Penans?

This is another misconception that has been propagated and is completely untrue.

Samling has been working with all the native groups living in our concession areas and most have supported our efforts. In fact, they let us know what they need and in goodwill, we accede to their requests. This includes helping to channel fresh water to the villages with gravity-feed water supply and providing mini-hydro generators for electricity. We also provide supplies for the communities to build their longhouses, schools and churches. Very often, on the request of the villagers, we help clear hilly and rocky areas with our machinery so that they can build their homes in a flat and open space.

Most native groups are non-nomadic and live in settled villages. They are ever-ready to enjoy an easier life through our assistance. Some of these groups have been given rights to the land by the government.

Majority of the Penans, who are traditionally a nomadic people, have also settled and have integrated into other local communities and enjoy a settled life. However, the Penans not having rights to land is an issue that has been raised to the government. As a business enterprise, Samling Global is required to follow the laws of the land.

13. How does Samling Global ensure that its forestry and logging operations are sustainable? Which management systems are in place to ensure this?

In Sarawak, in all of our forest concessions, we adhere to the Sarawak forestry guidelines which follow International Tropical Timber Organisation guidelines of sustainable forest management practices. In the past, ITTO has acknowledged that Sarawak's forest management was of a higher standard than in most other tropical timber producing countries.

In Guyana, we adhere to the Guyana Forestry Commission Code of Practice for Timber Harvesting.

In regard to our management practices, we were the first recipient of ISO9001:2000 quality management system in Malaysia for forest operations which covers design and planning of harvesting activities, and transporting and marketing of merchantable timber logs.

Our forest areas in Sarawak are all within the permanent forest estate (PFE) areas and state land forests. The PFE areas are allowed for sustainable timber production and state land forests are mainly for replanting purposes because most of the land has been stripped due to shifting agriculture (slash and burn) practised by the native groups, and are in need of rehabilitation.



Shifting agriculture (also known as slash and burn) practiced by natives

Harvesting must be done according to a forest management plan, as outlined in the forest timber license. The plan stipulates the period of harvesting, species that can be harvested, harvesting method that is to be used, minimum cutting diameter limits, and the volume of timber to be harvested within the specified area. The plan is revised and updated from time to time by the Forest Department to incorporate the latest survey and research findings as well as to comply with current laws and regulations.



Samling concession area after harvesting

Within the PFE area, we adopt selective harvesting procedures to promote natural regeneration in our natural forests. This system allows only the mature trees that meet the minimum diameter limits and other criteria to be extracted. The non-mature trees will be left for the next cutting cycle and will act as shelter to the forest and sustain the biodiversity within.

Timber extraction is done on an annual coupe system with the harvesting of these coupes over the duration of the license period. When extraction of timber is completed, these coupes are closed and left for regeneration until the next cutting cycle. The cutting cycle for Sarawak is 25 years and in Guyana is 40 years.

In New Zealand, we comply with the local government regulatory requirements on forest management (Resource Management Act (RMA)) and we also comply with FSC's principles of responsible forest management.

Our forests are monitored by relevant authorities to ensure that we are complying with the relevant guidelines and regulations. For instance, in Malaysia, our forests are subject to inspection by the Sarawak Forestry Corporation and our MTCC certified forest management unit is subject to an ongoing assessment program of annual surveillance visits by MTCC appointed assessors to ensure continuing compliance.

In Guyana, the parts of our forest concession which we are harvesting are continuously monitored by the Guyana Forestry Commission.

In New Zealand, our plantations are subject to an annual assessment by FSC as well as local government Resource Consents to carry out our operations.

14. Is Samling Global planning to assist in reforestation?

Samling Global has already been actively involved in reforestation. In fact, we have reforestation projects in both Sarawak and New Zealand. In Sarawak we have replanted over 11,000 hectares as of December 2006. In New Zealand, we have a Radiata Pine tree plantation area of 26,000 hectares [as at December 2006] and we replant the area which we harvest every year.



Nursery plants in Samling Tree Planting Project

The company has practiced reforestation in many areas in our concession which have been scarred due to shifting agriculture (slash and burn) practiced by native groups over the years. However, we have helped to rehabilitate the damaged areas with replanted forests with both indigenous tree species as well as plantation species.

We continue to invest significantly in reforestation research & development to find suitable species to improve yields and wood quality for our plantations.

15. Which and what proportion (in percent) of Samling Global's operations in Malaysia is MTCC certified?

In 2004, our Sela'an Linau forest management unit received the voluntary certification from MTCC. We were the first private company to receive the MTCC forest certification in Malaysia. It was 3.9% of our gross forest concession area in Malaysia.

However, this needs to be put in perspective. We started our forest operation in Malaysia in 1976, before the MTCC started certification in the country and we have always been required to adhere to the Sarawak forestry guidelines. Our forest concession, which we harvest from are continuously monitored by the Sarawak Forestry Corporation.

The process towards forest management certification is long and arduous and we have been working to achieve certification for many years. In 1998, we have worked with Germany's GTZ, an international cooperation for sustainable development, together with the Sarawak Forest Department. Our collaboration was part of a pioneer project, involving the Sela'an Linau area, to research and implement "best practice" management standards and technologies on forest management following the initiative by the Sarawak state government.

Since then, we persevered in our pursuit of setting up a forest management unit, namely in the Sela'an Linau area and achieved the MTCC forest certification in 2004.

16. It is reported that Samling Global is operating in a protected forest area in Sarawak. If the forest area is protected, should you be operating there?

This is a misperception. The Sarawak government has divided the forest areas into three distinct areas, namely Permanent Forest Estate (PFE), Totally Protected Area, and State Land Forest. The Forests Ordinance 1958 provides for three categories of PFE:-

a) Forest Reserve

This is normally a productive forest which is the principal permanent source of the state's supply of timber and other forest produce which admits limited rights or privileges for the local people to utilize the forest produce

b) Protected Forests

When the Government gazettes and publishes its intention to declare protected forest areas, the natives living in the area can, within a prescribed period, submit their claims with satisfactory evidence that the proposed protected forest land or a part thereof is their customary land, failing which any rights which they may have over the proposed protected

forest land is extinguished. and the forest involved will be a protected forest and under the control of the State.

In the case of protected forests, the concession holders can harvest timber and the natives can continue to take produce from the forests for their own consumption.

Protected Forests are different from Totally Protected Forests in that the latter are reserved for national parks, wildlife sanctuaries and nature reserves, which are completely off limits to loggers and anyone else from taking forest produce from such forests.

c) Communal Forests

These areas are set aside as woodland to meet the needs of settled communities who have domestic requirements for forest produce.

Samling Global has license to operate in PFE and State Land Forest areas. We practice selective harvesting in the PFE areas, while our areas located in State Land Forests are used mostly for plantations.

17. In which ways does MTCC differ from FSC? What is your response to allegations that MTCC has lower legitimacy than FSC?

The MTCC scheme is currently implemented at a national level in Malaysia, and is recognized by certain organizations in Europe, Japan and New Zealand, compared to the FSC scheme which has international recognition generally. The standards currently used by the MTCC are the “Malaysia Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I (2001))” although MTCC is in the process of implementing Malaysia Criteria, Indicators, Activities and Standards of Performance of Forest Management Certification (MC&I (2002)).

The MC&I (2001) are based on the 1998 ITTO Criteria and Indicators for Sustainable Management of Natural Tropical Forests and cover criteria for enabling conditions for sustainable forest management, forest resource security, flow of forest produce, biological diversity, protection of soil and water and economic, social and cultural aspects. The MC&I (2002) were developed in collaboration with FSC, and use the FSC Principles and Criteria as a guide.

The MC&I (2001) contain the key elements for sustainable forest management covering economic, social and environmental aspects, whereas the MC&I (2002) is based on FSC Principles and Criteria, which are generally considered to be more comprehensive with international recognition. The MTCC is also currently in discussion with the FSC for further improvements to MC&I (2002) since its adoption on January 1, 2005.

Forest management certificates issued by the MTCC are recognised by organizations in various countries across Europe, as well as in New Zealand and Japan.

18. Does Samling Global have a commitment get its Malaysian operations FSC-certified?

Our current certified area, the Sela'an Linau Forest Management Unit in Sarawak, was selected as a pioneer project site following the research by Germany's GTZ and the Sarawak Forest Department to be considered under the MTCC certification scheme.

The Group has applied for forest management certification in Malaysia under the MTCC scheme instead of the FSC scheme because:

- a. the requirements for MTCC forest management certification were developed following consultation with multi-stakeholders and they were therefore tailor-made to cater for local conditions and laws in Malaysia;
- b. the MTCC forest management certification was developed on the understanding that it will gradually seek increased recognition, for example, with the recent adoption of MC&I(2002) which was developed using FSC Principles and Criteria; and
- c. the MTCC has also actively sought cooperation with international certification bodies and has been in discussions with countries around the world to increase recognition for MTCC certified products.

Furthermore, as of December 2006, MTCC has issued forest management certificates covering approximately 4.7 million hectares of forest areas in Malaysia (http://www.mtcc.com.my/mttc_scheme_certs_holders.asp). In contrast, there was only approximately 72,000 hectares of FSC certified forests in Malaysia as of December 2006 (http://www.fsc.org/en/whats_new/fsc_certificates), with the Sabah Forest Department obtaining certification for approximately 55,000 hectares of natural forest area in 1997 (which was before the MTCC scheme was established)

Although the FSC had recently issued a forest management certification in respect of approximately 4,000 hectares of mixed-forest, FSC forest management certification has not been common in Malaysia to date.

19. Does the Group intend to increase forest certification?

The timeframe for increasing the Group's forest certifications will depend on the market demand for certified products and the resources available from the relevant certification bodies to conduct the assessment.

In addition, we have not obtained additional forest management certifications in respect of certain forest areas within its operations:

- a. In respect of the Group's forest concessions in Malaysia, please refer to Q18;
- b. In respect of the Group's tree plantations in New Zealand, we have explained that it has already obtained FSC forest management certification and chain of custody for all of its tree plantation areas;
- c. In respect of the Group's forest concessions in Guyana, we have explained that prior to suspension of the FSC forest management certification in Guyana, the certified area covered sufficient areas expected to be sufficient for the Group's harvesting for the next 10 years based on the Company's current harvesting plans. Therefore, there was no immediate need to increase its certified area in the near future.

20. Can Samling Global make a public commitment to get the company's operations in Guyana FSC-recertified?

There was a meeting held in Bonn on 6th February, 2007 with the FSC, WWF, Government of Guyana and Barama (Samling Global's subsidiary) during which Barama sought clarity on the rationale for suspension of their FSC certificate. There is a Joint Statement, from FSC, ASI, WWF, SGS Qualifor and Barama on this meeting and the Government of Guyana has also issued its own statement (please refer to www.baramaguyana.com).

It is important to note that forest certification is voluntary. We would like to reiterate that we take the FSC certification very seriously, and reaffirm our commitment to this process. From the outset of Barama's operation, we have made a firm commitment to sustainable forest management and implementation of best practices.

21. With which external partners will Barama be working to ensure recertification?

SGS was the independent assessor accredited by FSC to conduct surveillance audit on Barama's FSC certified area.

We are working with both WWF and FSC to address the issues and a meeting in South Africa was convened with SGS to seek clarification on procedural issues in relation to the CARs that SGS said initiated Barama's FSC certification suspension. Also, a meeting in Bonn on 6th February 2007 was held to seek clarification with WWF and FSC and SGS in relation to the suspension.

For more information, please go to www.baramaguyana.com

22. Will you be able to implement these corrective actions requests within the respective set deadlines?

We welcome the kind assistance from the WWF and the local forestry experts to address the CARs raised. We have and will continue to follow a transparent, time-bound action plan consistent with FSC certification.

For more information, please go to www.baramaguyana.com

23. Have there been any recent CARs or critical issues related to Samling Global's operations in New Zealand? If yes, what were they and how have they been addressed?

Like all other FSC-certified operations, our New Zealand plantation is subject to an annual surveillance audit to make sure they comply with FSC standards. It is not unusual to have some minor corrective actions required to be rectified before the next audit.

24. Does Samling Global have a written indigenous people's policy?

As you are aware, there are various groups of indigenous people who live in the concession areas where we operate. It is our policy to engage with them through dialogues before we start operating in their vicinity of our concessions. These communities may harvest trees for personal rather than commercial use and they also clear land for agricultural purposes. We actively work with the indigenous people to integrate and accommodate their community activities within our operations. We have established a team of native community officers, many of whom are indigenous people themselves, and are responsible for liaising with the indigenous people to understand their needs and address their requirements.

We have also established a liaison committee which includes representatives from local communities and the Sarawak Forestry Corporation as part of the requirement for MTCC certification to handle issues concerning indigenous people. Likewise for Guyana, we have similar community relations committees as part of the FSC certification requirement.

25. Is Samling Global willing to engage with NGOs that are concerned about environmental and indigenous people?

Samling Global has continued to be committed in our role of enhancing the well-being of the indigenous people. We have tried our level best to be responsible corporate citizens. Unfortunately, there are groups with their own agenda, and have refused to be open in their dialogue with us. At the end of the day, we have shown our commitment with many tangible actions, but what other groups decide to do is out of our control.

* Updated as at August 28, 2007