



Media Release

For Immediate Release

Public Statement on Mighty Earth Report

On 11 May 2020, we received a copy of Mighty Earth's Rapid Response Palm Oil report, which ostensibly seeks to expose deforestation in palm oil supply chains. Removing deforestation from supply chains is indeed a noble cause which the Samling Group wholeheartedly supports as we, as an organisation, have embraced the principles of the United Nations Sustainable Development Goals (UNSDG). Most unfortunately however, the report contained incorrect information on the Samling Group as a whole and its palm oil subsidiary Glenealy Plantations Sdn Bhd in particular.

The Group's oil palm operations

As you may be aware, Glenealy operates mainly in the state of Sarawak in Malaysia. A substantial part of its oil palm estates in Sarawak are located within areas known as License for Planted Forests (LPF), a classification for commercial plantation forest production areas in Sarawak. As provided in the Sarawak Forestry policy on the management of LPFs, an area of 20% may be planted with oil palm.

All Glenealy's estates are legally and responsibly managed. This is evidenced by the fact that all our oil palm operations have obtained the Malaysian Sustainable Palm Oil (MSPO) certification which is a mandatory standard imposed by the Government of Malaysia.

Additionally, Glenealy also adopted a No Deforestation, No Peat, No Exploitation (NDPE) policy on 10 April 2020, which has been applied across our entire oil palm operations.

Glenealy's positive actions have been acknowledged by Mighty Earth in its report.

The Group's timber operations

However, due perhaps to a lack of understanding of complex commercial structures and voluminous state regulations and laws, the Samling Group has erroneously been linked to illegal deforestation, thus connecting Glenealy through its legal status as a subsidiary of the Group, to deforestation.

Just as the Group oil palm operations are managed in strict adherence to the law and its own sustainability commitments, so are our timber operations. In fact, attached is a non-exhaustive but nevertheless extensive list of certifications and commitments for the wood-based operations that have been obtained by the Samling Group. (*See Appendix 1*)

Relevant facts about the Group's timber operations

All Samling's Timber Upstream Operations operate under strict legal and licensing frameworks in accordance with national and jurisdictional regulations.

All of the Samling Group's natural forest log production is from our operating Forest Management Units (FMUs). They have been certified either under the Malaysian Timber Certification Scheme (MTCS) – which is endorsed by the Programme for the Endorsement of Forest Certification (PEFC), or the Sarawak Timber Legality Verification System (STLVS). We



aim to be fully certified under the MTCS by June 2022. Natural forest concessions use the Reduced Impact Logging (RIL) Guidelines, which is recognized worldwide.

The Industrial Tree Plantations (ITPs) areas are managed under the LPFs awarded by the Sarawak Government. Each LPF is awarded for a period of 60 years.

In the LPF areas, the Group's eligible ITPs have already been or will soon be certified under the Malaysian Timber Certification Scheme (MTCS) or audited under the PEFC Controlled Source system (*PEFC is the Geneva-based Programme for the Endorsement of Forest Certification*).

The MTCS has been endorsed by the PEFC. In fact, it was the first certification scheme in the Southeast Asian region to be endorsed by the PEFC which to date has certified 325 million hectares worldwide. (*For more information on these certification standards, please refer to Appendix 2 which is attached.*)

It is important to note that ITPs established under LPF Licenses were established by the Sarawak Government as part of its long-term plans to bring sustainable development to the state, especially for its poor and rural communities. The state has identified a total of one million ha for ITPs, out of its total land area of 12.4 million ha or 124,450 sq. km.

The establishment of ITPs will allow Sarawak to better monitor and regulate the industry and to conserve valuable natural forests. ITPs have been identified for areas that were cleared in the past and thus, by definition, will reduce pressure on existing natural forests. Samling is one of several industry players that is enabling the Sarawak government to achieve its target of establishing one million hectares of ITPs by 2025.

For your reference, please see the following articles:

- <https://www.theborneopost.com/2019/03/08/sarawak-far-from-reaching-its-industrial-forest-plantation-goal/>
- <https://www.freemalaysiatoday.com/category/nation/2019/01/27/sarawak-resets-industrial-forest-plantation-target-to-2025/>

All stakeholders must note that the establishment of ITPs will provide essential and sustainable revenues for the State together with very significant employment that will help bring further development to rural and poor communities. This is of paramount importance and in line with the UNSDGs.

The Samling Group supports the Government's initiatives responsibly and accountably. We fully understand and applaud the aim to bring development and to enhance the welfare of poor rural communities.

It is important to note that, regardless of whether it is natural forest or for LPF, it is our policy to protect the flora and fauna that have been listed as protected species by the Forest Department Sarawak and which occur within our licensed areas.



Conclusion

Due to the complex nature of the business and the multiple licensing and regulatory schemes we operate under, it is not uncommon for third parties to misunderstand and misconstrue information that is obtained from external sources without the benefit of input from the company itself. Thus, the Samling Group commits to open communication with our key stakeholders to ensure that misconceptions and mistakes are expeditiously corrected.



Appendix 1

Policies

- Environment Policy (1st May 2017)
- Sustainable Forest Management Policy (revised and adopted on 1st Jan 2018)
- Waste Management Policy (1st Jan 2018)
- Certification Policy (1st June 2018)
- Health, Safety and Environment Policy (1st January 2020)
- Anti-Bribery and Anti-Corruption Policy (27th February 2020)
- Whistle Blower Policy (27th February 2020)
- Gender Policy (17th February 2020)
- Sexual Harassment Policy (17th February 2020)
- Human Rights and Ethics Policy (17th February 2020)
- Wildlife Conservation Policy (17th February 2020)
- Pesticide Use in Forest Plantation Management Policy (17th February 2020)
- Pesticide Use in Natural Forest Management Policy (17th February 2020)

Certifications

Timber Upstream

- Programme for the Endorsement of Forest Certification (PEFC)
- Malaysian Timber Certification Scheme (MTCS)
- Sarawak Timber Legality Verification System (STLVS)
- International Organisation for Standardisation 9001:2015

Timber Downstream

- California Air Resources Board (CARB)
- Japan Industrial Standards
- Japanese Agriculture Standards
- StandardsMark
- International Organisation for Standardisation 9001:2015
- International Organisation for Standardisation 14001:2015
- PEFC Chain of Custody
- FSC Chain of Custody
- CE Marking



Appendix 2

A. Programme for the Endorsement of Forest Certification (PEFC) <https://www.pefc.org/>

- The PEFC is the largest membership-based forest management certification organization in the world, headquartered in Geneva. It works by endorsing national forest certification systems which are developed through multi-stakeholder processes and tailored to local priorities and conditions.
- It has more than 70 members globally, which includes national certification systems, NGOs, labour unions, business trade associations, forest owner organisations and individuals - 53 national members and 47 endorsed national certification systems.
- It complies with legislative requirements, including the EU Timber Regulation (EUTR), the U.S. Lacey Act, and the Australian Illegal Logging Prohibition Regulation.
- More than 325 million hectares of forest area (or 800 million acres) globally are managed in compliance with PEFC's Sustainability Benchmarks—that's roughly the size of Egypt, South Africa and Turkey combined. Two-thirds of all certified forests globally are certified to PEFC standards.
- Currently more than 20,000 companies and organizations have achieved PEFC Chain of Custody certification. That equals one-third of all Chains of Custody globally.
- The PEFC Chain of Custody (CoC) is audited against the PEFC's CoC standard - PEFC ST 2002:2013.

B. Malaysian Timber Certification Scheme (MTCS) <https://mtcc.com.my/>

- The MTCS is a voluntary scheme that provides independent assessment for forest management and chain of custody certification to ensure the sustainable management of Malaysia's Permanent Forest Estate (PFE).
- It complies with all required laws and policies in Malaysia, including with all binding international agreements. Malaysia is a signatory to the International Tropical Timber Agreement (ITTA), 2006.
- Under the MTCS, the standard used is the Malaysian Criteria and Indicators for Forest Management Certification (MC&I). They are:
 - MC&I (Natural Forest)
 - MC&I Forest Plantation.v2

Both the standards above have been merged into one standard - MC&I Sustainable Forest Management (SFM), which will come into force 1 January 2021. It was approved by the MTCS Board in March 2020 and it is in line with the PEFC Benchmark Standard.

- MTCS is the first timber certification scheme in Southeast Asian region to be endorsed by the PEFC.
- MTCS is accepted and recognised by:
 - a) National timber procurement policies in Belgium, Denmark, Finland, France, Germany, New Zealand, Switzerland and the UK.



b) Green building systems in Abu Dhabi, Australia, Canada, Italy, Japan, Singapore, the Netherlands, UK, USA, UAE and the Green Building Index in Malaysia.

- As of 15 April 2020, 4.62 million ha of forest in Malaysia are MTCS-PEFC certified.
- As of 29 February 2020, there are 381 PEFC CoC holders in Malaysia.

C. Sarawak Timber Legality Verification System (STLVS)

<https://forestry.sarawak.gov.my/page-0-0-1212-STLVS.html>

- The STLVS was established by the State of Sarawak, Malaysia with the objective of regulating forestry operations and the supply chain of forest products, to be in accordance with the State's existing laws and regulations.
- It covers licensing, harvesting, transporting, manufacturing and trading of logs and timber products.
- The STLVS is regulated by three (3) main agencies under the Ministry of Urban Development and Natural Resources (MUDeNR) of Sarawak. They are the Forest Department Sarawak (FDS), Harwood Timber Sdn. Bhd. (HTSB) and Sarawak Timber Industry Development Corporation (STIDC).
- The system also includes a 3rd party annual verification process that serves as due diligence for Sarawak's export companies and their timber products.

D. Reduced Impact Logging (RIL)

- RIL is a system that aims to promote several aspects of productive forest sustainability and, also of the traceability of individual logs from the standing tree to mill or to export log pond.

For more information on the RIL, you may visit the following websites:

- <https://forestry.sarawak.gov.my/page-0-0-1224-FAO-EU-FLEGT-PROGRAMME-IN-COLLABORATION.html>
- <http://www.fao.org/in-action/eu-fao-flegt-programme/news-events/news-details/en/c/1189060/>