

Email to FPP from HSBC

From: simon.c.martin@hsbc.com
Subject: Update on Samling
To: marcus@forestpeoples.org, helen@forestpeoples.org
Sender: lindseykellow@hsbc.com
Date: Thu, 24 May 2007 17:38:46 +0100

Dear Marcus and Helen

I would like to thank you for the input which the Forest Peoples Programme gave to Jon Williams, Francis Sullivan and John Laidlow at your meeting on 26th April and to Simon Harris at your meeting in Malaysia on 21st May. We very much value the input that we receive from our stakeholders on our policies and their implementation.

Following that meeting, the reason for this letter is to give you a better understanding of our involvement in the Samling IPO, which has come under wide public scrutiny and has been subject to considerable debate and comment. You will probably be aware that HSBC has a longstanding relationship with Samling, and our recent participation in their IPO was a part of this, rather than a one-off transaction. It is in this context that we view the whole issue of Samling's conformity to our Forest Land and Forest Products sector guideline, issued in 2004, that lays out how HSBC engages with the forestry industry. This guideline states that we prefer to deal with customers in this sector that are operating managed forests that are certified by the Forest Stewardship Council FSC or equivalent, and also that at we are prepared to deal with customers who do not have full FSC or equivalent certification but are following a credible path towards achieving compliance within a maximum of five years.

Our judgement is that Samling has made progress towards certified sustainable forestry during the tenure of our relationship, and has obtained certification for its operations in New Zealand and for parts of its operations in Guyana and Malaysia. Although the certification in Guyana was suspended earlier this year, Samling is committed to regaining it, and has given us assurances that it remains committed to sustainable forestry and will pursue certification wherever possible. As with all our clients, we monitor their commitments to ensure they remain on that credible path towards certified sustainable forestry and therefore that they meet our guideline. And, as with any client, our policy is that if they do not comply with these requirements, we will end our relationship - something that we have already done with a number of companies. Whilst we acknowledge there are differing views on this, we consider that remaining engaged in order to be able to influence and monitor progress is the most effective course of action, for as long as we feel progress continues to be made towards compliance with our forestry guidelines.

In the last month we have met with a number of our shareholders and NGOs to explain our involvement with Samling and their IPO. We have also listened carefully to the views of these stakeholders. The majority of the institutions and people we have met share our views, and believe that we should stay engaged with Samling for the time being, and continue to work with them to achieve compliance with our guideline.

Looking ahead, we will continue to talk with the company, and will provide help and advice in developing the social and environmental aspects of their operations and in dealing with

the considerable complexities of meeting our certification requirements in various parts of the world.

Yours sincerely

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