



GLOBAL FORESTRY SERVICES

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WOOD TRACKING PROGRAM

Supplier Risk Assessment Guidelines for Evaluation

1.0 Background:

The objective of the supplier evaluation is to document that the supplier can trace raw material to a non-controversial source that is considered Low (negligible) Risk of being illegal to classify the material as Verified Legal (VL). The critical element is to document that there is a low risk for the supplier to have controversial or illegal material. GFS understands that the Timber Industry needs a simplistic system to evaluate the risk of timber being purchased, manufactured and traded within the supply chain. GFS has provided for a fundamental risk evaluation through the General Risk Categories.

2.0 General Risk Categories:

GFS Wood Tracking Program has defined that risk can be based on general risk categories:

- Country risk
- Material / Species risk
- Operational risk

2.1 Country Risk:

Country Risk is based on the country of timber origin. Countries with strong legal compliance regarding the timber industry will have low/negligible risk of material being harvested and traded illegally. While countries that are considered to have a poor rule of law and are perceived to have higher corruption levels tend to be at higher risk.

2.2 Material / Species Risk:

Material/Species Risk is based on the potential for illegal activities occurring with respect to the timber species or material type. The fundamental assumption is that higher valued material and timber species are associated with a higher risk of illegal activities. High value timber species and species from tropical natural forests are considered to be high risk of being illegally harvested and traded.

Timber species that are planted and material that is deemed as low market value are usually not under threat of being harvested and traded illegally. In addition, material that originated as post-consumer or waste material (offcuts and sawdust) that cannot be incorporated within the same production system or material that has been abandoned (stumps, branches, abandoned logs, recovered material, driftwood, etc.) that can be re-purposed can be considered as low risk.

Identification and documented traceability of timber from areas under deforestation after 31 December 2022 due to land use change from natural forested areas to agricultural use or timber plantations shall be excluded for use in EU markets.

2.3 Operational Risk:

Operational Risk is based on the presence of 3rd party verification or government verification of compliance with regulations or international certification standards. Low Risk can be documented based on transparent Independent verification / due diligence systems for forest and supply chains to regulatory compliance even when country or species risk is not low risk.

The GFS Wood Tracking Program requires that all participants conduct a Risk Assessment of all suppliers to verify low risk of all material imported and obtained locally. GFS provides a simple guide for evaluating Low & High-Risk levels within the General Risk Categories.

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3.0 General Categories of Risk Evaluation:

3.1 Country Risk:

Country risk is based on a Corruption Perception Index by Transparency International (<http://cpi.transparency.org>).

Low Risk Country	Countries with CPI score of 60 and above . Developed countries in North America, Western Europe, Australia, New Zealand and Japan have high levels of Law Enforcement and Governance. In addition, these countries tend to have detailed forest management and environmental requirements & for harvesting timber that originates within those countries.
Medium Risk Country	Countries with CPI scores between 40-60 can be considered as medium.
High Risk Country	Countries with CPI scores below 40 . Developing countries and tropical countries mostly located in South America, Africa, Russia, Asia and South Pacific which have poor records of good governance and law enforcement that directly affects the forest and timber industries.

3.2 Material / Species Risk:

Material / Species risk is based on the potential for illegal activities occurring based on the timber species and value of the material. High value species and species from tropical natural forests are considered to be at a higher risk of being illegally harvested and traded. Materials from deforested areas for conversion to agriculture or plantations are at High Risk in relation to EUDR requirements.


Timber species that are planted and low value material are usually not under threat of being harvested and traded illegally. Waste, recycled and recovered material is considered low risk.

Low Risk Material / Species	Low Risk is linked to Low Value timber species that are generally planted or pioneer species or material that is considered waste or recycled. Plantation based species (such as rubberwood (<i>Hevea brasillensis</i>), Eucalyptus spp., pine (<i>Pinus</i> spp.), Gmelina spp., Acacia spp., Albiza spp., Poplar (<i>Populus</i> spp.), Planted temperate species and low value tropical pioneer species (such as Binuang, Laran, Kalapayan, Macaranga). Natural temperate forest species from low-risk countries. Material that originated as post-consumer, recycled or waste material (offcuts and sawdust) that cannot be incorporated within the production system or material that has been abandoned (stumps, branches, abandoned logs, recovered material, driftwood, etc.) that can be re-purposed can be considered as low risk.
High Risk Material / Species	Tree species (temperate & tropical) that are deemed as high value (such as Dipterocarps, Shorea, walnut, oak, maple, birch, teak, beach, sandal wood, mahogany, rosewoods, ironwoods, ramin, etc.) that are grown naturally or planted. ALL CITIES listed species without CITIES certificate. Material that is made from high value species that can be used in primary production or value-added secondary production. Material from areas under deforestation after 31 December 2022 due to land use change from natural forested areas to agricultural use or timber plantations shall be excluded for use in EU markets.

3.3 Operational System Risk:

Operational risk is based on the presence of 3rd party verification or independent verification of compliance with regulations or international certification standards. Independent verification of forest and supply chains indicates low risk even when countries or species risk is not low risk.

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Low Risk Operations	<p>Forest or Plantation areas are assessed under third-party systems such as international or national certification / verification systems. Wood Processing and Trading companies have a formal chain of custody systems assessed by 3rd parties. Forest or plantation areas that are regulated by government agencies whereby documentation of compliance is available and credible.</p> <p>Verified Chain of Custody systems that can segregate material from deforested forest areas for exclusion to EU markets for compliance to EUDR.</p>
High Risk Operations	<p>Forest or Plantation areas in high-risk countries that are not assessed by third parties or government agencies, where no or inadequate information or records are available regarding compliance with regulations. Wood processing and trading companies that do not have a formal chain of custody systems to demonstrate the traceability of wood products back to raw material and forest of origin.</p>

GFS understands the need for a practical method to evaluate the risk of timber / supplier without visiting each site, as the costs and time would not be economically viable. An overall evaluation of risk can be based on the associated General Risk Categories detailed above using the Risk matrix.

4.0 Overall Risk Evaluation of General Risk Categories:

The Risk Matrix is designed to correlate the risk of the various General Risk Categories. The fundamental underlying element is ***the credibility of the legality system within the country of timber origin or independent verification to assess compliance with regulations across the supply chain***. Thus, if the Country Risk of the timber origin is low, all other general risks become low. If the timber and supplier is documented to have a low operational system risk due to independent verification of the timber and supplier for legality and or full certification, then all other General Categories are considered low risk. Species risk is associated with timber value of which planted species tend to be low value. Low value species can be considered low risk from countries that are classified as low or medium risk.

The Risk Matrix in section 4.1 graphically details the levels of risk associated with each of the General Categories.

4.1 Risk Matrix

Categories	Low Risk Country	Medium Risk Country	High Risk Country
Low Risk Material / Species	Low Risk	Low Risk	High Risk
High Risk Material / Species	Low Risk	High Risk	High Risk
Low Risk Operations	Low Risk	Low Risk	Low Risk

Any material or timber not defined as Low Risk following the Risk Assessment may NOT be used in GFS WTP as verified legal.

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The objective is to ensure that the overall risk based on formally documented evidence is low. Suppliers of timber and wood products that fall into a **High-Risk Red Box** will require additional information or independent verification to mitigate the risk. All suppliers and materials NOT documented as low risk according to the Risk Matrix will require an independent verification to document low risk. GFS provides Legal Verification Services to demonstrate compliance of forest & plantation to legal regulations according to LVS standard (GFS WI 006 LVS-1) and GFS Wood Tracking Program (GFS WI 006 WTP.2) for the manufacturing and trade of wood products. GFS or an approved 3rd party can conduct the evaluation to provide an independent evaluation of low risk.

5.0 Supplier Evaluation & Records

The supplier must be deemed to be competent to supply the material requested as Low Risk to be considered as Verified Legal (*VL / VL Non-Deforested*) through either certification, 3rd party verification or through internal evaluation as appropriate to demonstrate negligible risk of the material or wood products being illegal based on the General Risk Categories and Risk Matrix.

Supplier - Data Sheet

Supplier	Contact Person
Address	
Tel / Fax / Email	
Material Type	Logs, sawn timber, veneer, plywood, fiber boards (MDF / Particle board), recycled material; paper products; waste / recovered material; charcoal products
Material Origin	Natural Forest, Plantations, Salvage logging / (Deforestation)
Species	Common & scientific names
Material / Species Risk	
Deforestation Risk	
Country of Origin	
Country Risk	
Operational Risk	
FSC, PEFC, GFS, SVLVK Certificate #	
Risk Matrix Result	<i>VL / VL Non-Deforested / Non-VL</i>

Note: Raw material or timber products not defined as Overall Low Risk following the General Risk Assessment cannot be identified as Verified Legal within the GFS WTP.

Additional evaluation and or independent verification will be required to document low risk. GFS provides Legal Verification Services to document compliance with legal regulations according to LVS standards. GFS or an approved 3rd party can conduct the evaluation to provide an independent evaluation of low risk.

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