



GLOBAL FORESTRY SERVICES

Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA.
Malaysia: C/O Whitespace Bangsar, No.3.02D (East Wing), Level 3, Menara BRDB,
285 Jalan Maarof, 59000 Kuala Lumpur, Malaysia.
Tel : +6012 310 6007 Fax : +603 2724 3207
Email : gfs@gfsinc.biz Website : www.gfsinc.biz

WOOD TRACKING PROGRAM

Supplier Risk Assessment Guidelines for Evaluation

1.0 Background:

The objective of the Risk Assessment is to document that raw materials and timber products are Low Risk from suppliers based on Country Risk, Material / Species Risk and Operational Risks. Raw materials must come from a non-controversial source that is considered Low (negligible) Risk of being illegal to classify the material as Verified Legal (VL).

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 key General Risk Categories.

2.0 General Risk Categories:

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

- Country risk
- Material / Species risk
- Operational risk

2.1 Country Risk:

Country Risk is based on the country of timber origin. Countries that have strong legal compliance in regard to the timber industry will have low / negligible risk of material being harvested and traded illegally. Countries that are considered to have 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 in respect to the timber species or material type. The fundamental assumption is that higher valued materials and timber species are associated with a higher risk of illegal activities. High value timber species and species from tropical natural forests are considered at 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. Material that originated as post-consumer or waste material (offcuts and sawdust) that cannot be incorporated within the same production process or by-products of manufacturing where its lifecycle is completed and would otherwise have been discarded. Material that has been abandoned (stumps, branches, abandoned logs, recovered material, driftwood, etc.) and re-purposed can be considered low risk. Waste material containing high risk species must be documented to originate from legally harvested timber.

Identification and documented traceability of timber from areas under deforestation after 31 December 2020 due to land use change from natural forested areas to agricultural use or timber plantations to be excluded for use in EU markets.

2.3 Operational Risk:

Operational risk is based on the presence of 3rd party or independent verification of compliance with regulations or international certification standards for natural forests and supply chains through manufacturing of finished products to define low risk of materials and products even when a country or species risk is not low risk.

Document Control

GFS-WI-006-WTP.2	Title: Supplier Risk Assessment	Issue: 16	Date: 01 Jan 2024
------------------	---------------------------------	-----------	-------------------

Intellectual property of **Global Forestry Services (USA) Inc. - GFS**

	<h2 style="color: green;">GLOBAL FORESTRY SERVICES</h2>
	<p>Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA. Malaysia: C/O Whitespace Bangsar, No.3.02D (East Wing), Level 3, Menara BRDB, 285 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Tel : +6012 310 6007 Fax : +603 2724 3207 Email : gfs@gfsinc.biz Website : www.gfsinc.biz</p>
	<h2 style="color: green;">WOOD TRACKING PROGRAM</h2>

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

3.0 General Categories of Risk Evaluation:

3.1 Country Risk:

Based on a Corruption Perception Index (<http://cpi.transparency.org>) by Transparency International. Country Risk is directly related level of Law Enforcement and transparent Governance that is related to corruption.

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 Law Enforcement and Governance levels. 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 the South Pacific have poor records of good governance and law enforcement that directly affect 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 have a higher risk of being illegally harvested and traded. Material from deforested areas for conversion to agriculture or plantations are 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; however, waste from high risk material must be from legally harvested timber.

Low Risk Material / Species	<p>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.</p> <p>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.) <i>by-products of processing sawn timber and plywood that completed its lifecycle and would otherwise have been discarded</i> and that can be re-purposed can be considered as low risk. Waste material containing high risk species must be documented to originate from legally harvested timber.</p>
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 CITES listed species without CITES certificate. Material that is made from high

Document Control			
GFS-WI-006-WTP.2	Title: Supplier Risk Assessment	Issue: 16	Date: 01 Jan 2024

	<h2 style="color: green;">GLOBAL FORESTRY SERVICES</h2>
	<p>Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA. Malaysia: C/O Whitespace Bangsar, No.3.02D (East Wing), Level 3, Menara BRDB, 285 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Tel : +6012 310 6007 Fax : +603 2724 3207 Email : ghs@ghsinc.biz Website : www.ghsinc.biz</p>
	<h2 style="color: green;">WOOD TRACKING PROGRAM</h2>

	<p>value species that can be used in primary production or value-added secondary production.</p> <p>EUDR: Material from areas under deforestation after 31 December 2020 due to land use change from natural forested areas to agricultural use or timber plantations is to be excluded for use in EU markets.</p>
--	--

3.3 Operational System Risk:

Operational risk is based on the presence of 3rd party or independent verification of compliance with regulations or international certification standards for natural forests and supply chains through manufacturing of finished products to define low risk of materials and products even when a country or species risk is not low risk.

Low Risk Operations	<p>Wood processing and trading companies, which have a formal chain of custody systems assessed by 3rd parties that trace material from the natural forest or plantation areas that are regulated by government agencies whereby documentation of compliance, legal origin and low risk is available and credible.</p> <p>Low Risk Operations must be compliant to both regulations and Chain of Custody requirements to utilize low risk raw material to produce VL products. Trading companies must be compliant with regulatory and chain of custody requirements to trade low risk material and products as Verified Legal.</p> <p>EUDR: Verified Chain of Custody systems that can segregate material from deforested forest areas for exclusion to EU markets for compliance with EUDR.</p>
High Risk Operations	<p>Wood processing and trading companies in medium & high-risk countries that do not have a formal chain of custody systems assessed by independent third parties or government agencies as compliant with legal requirements, including traceability of legality of raw materials or products.</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 document low risk of material and compliance with regulations across the supply chain.***

Fundamental elements for defining risk within the General Risk Matrix:

- Where the Country Risk of the timber or wood product origin is low, all other general risks become low.
- Documented Low Operational Risk for natural forests, manufacturing and products by independent verification for legality or full certification, then all other General Categories are considered low risk.
- Species / material risk is associated with value, whereby low value planted timber and waste material are generally low risk for trading and use as raw material. Low Risk species and materials can be considered low risk from countries that are classified as low or medium risk.
- High Risk species and materials in medium & high-risk countries must be documented as legally harvested and transported for use as raw material in manufacturing Verified Legal products within a verified compliant chain of custody system.

Document Control			
GFS-WI-006-WTP.2	Title: Supplier Risk Assessment	Issue: 16	Date: 01 Jan 2024

	<h2>GLOBAL FORESTRY SERVICES</h2>
	<p>Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA. Malaysia: C/O Whitespace Bangsar, No.3.02D (East Wing), Level 3, Menara BRDB, 285 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Tel : +6012 310 6007 Fax : +603 2724 3207 Email : dfs@dfsinc.biz Website : www.dfsinc.biz</p>
	<h2>WOOD TRACKING PROGRAM</h2>

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
High Risk Operations	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. All manufacturing and trading companies documented as non-compliant cannot claim material or products as Verified Legal.

The objective is to ensure that overall risk is 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 document compliance of forests & plantations 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 independent evaluation of low risk.

5.0 Supplier Evaluation & Approval (sample form)

The supplier must be deemed to be competent to supply the material requested as Low Risk to be considered as Verified Legal (VL) 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 Company	
Address	
Factory Address	
Tel / Fax / Email	
Contact Person	

Document Control			
GFS-WI-006-WTP.2	Title: Supplier Risk Assessment	Issue: 16	Date: 01 Jan 2024
Intellectual property of Global Forestry Services (USA) Inc. - GFS			

	GLOBAL FORESTRY SERVICES
	Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA. Malaysia: C/O Whitespace Bangsar, No.3.02D (East Wing), Level 3, Menara BRDB, 285 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Tel : +6012 310 6007 Fax : +603 2724 3207 Email : gfs@gfsinc.biz Website : www.gfsinc.biz
	WOOD TRACKING PROGRAM

Certification / Legal Verification

FSC # / PEFC #		Expiry Date	
Certification Body & Product Types:			

GFS WTP # / LVS #; Sabah STCC#; MTCC # / SVLK #		Expiry Date	
Certification Body & Product Types:			

Other Certificates		Expiry Date	
Independent Verifier & Product Types:			

Material Type	Country origin	Material Origin	Species
Logs	Country Name	Natural Forest	Common & Scientific names
		Plantations	
		Salvage / Deforestation	
Waste / recycled		Sawdust / wood waste Recycled paper	Not Applicable
Recovery		Stumps / Log recovery	

Product type	Material origin	Species / Material
Sawn timber	Country Name	Common & Scientific names
Veneer		
Plywood		
Waste / recycled		Not Applicable

Approval Record:

Record of Risk Evaluation Results for each timber product based on species and country of timber origin according to the General Category in section 3.0 and record the overall evaluation based on the Risk Matrix above.

Timber Product Group	General Risk Categories			Risk Matrix
	Country	Material / Species	Operational	Overall Risk
Logs				
Sawn timber				
Veneer				
Plywood				
Waste / recycled / abandoned				

Document Control			
GFS-WI-006-WTP.2	Title: Supplier Risk Assessment	Issue: 16	Date: 01 Jan 2024
Intellectual property of Global Forestry Services (USA) Inc. - GFS			

	GLOBAL FORESTRY SERVICES	
	Registered Office: 2446 N. San Gabriel Blvd., Suite #C, Rosemead, CA 91770, USA. Malaysia: C/O Whitespace Bangsar, No.3.02D (East Wing), Level 3, Menara BRDB, 285 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Tel : +6012 310 6007 Fax : +603 2724 3207 Email : gfs@gfsinc.biz Website : www.gfsinc.biz	
	WOOD TRACKING PROGRAM	

Note: Raw material or timber products not defined as Overall Low Risk following the General Risk Assessment cannot be identified as VL 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.

Document Control			
GFS-WI-006-WTP.2	Title: Supplier Risk Assessment	Issue: 16	Date: 01 Jan 2024
Intellectual property of Global Forestry Services (USA) Inc. - GFS			