



## GLOBAL FORESTRY SERVICES

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## WOOD TRACKING PROGRAM

# Guidelines on Requirements Chain of Custody

The Global Forestry Services (GFS) **Wood Tracking Program** provides assessment and monitoring of manufacturers and traders under a formal Chain of Custody (COC) system to trace material and products legally harvested forests or plantation areas. The objective of the GFS Wood Tracking Program is to mitigate illegal material from entering the supply chain through establishment of a full Chain of Custody system, which consists of formalized procedures on all activities. Participating companies need to assess Supplier Risk to ensure all material and wood products purchased comes from Low Risk Suppliers. The Wood Tracking Program is coupled with Legal Verification Services to provide on site assessment of forest management for legal compliance for suppliers that fall under medium and high-risk areas.

All manufacturing and trading companies that desire to trade timber products under a **GFS Wood Tracking Program – Statement of Participation** will be subject to the requirements and conditions of participation (defined in documents GFS-WI-006-WTP.3 CoC Requirements; GFS-WI-006-WTP.4 Conditions of Participation, respectively). The GFS Wood Tracking Program – Statement of Participation for manufacturing and trading companies will be valid for 5 years and subject to surveillance every 6-12 months or as deemed necessary to verify continual compliance.

***"The GFS Wood Tracking Program provides the due diligence needed to verify that raw material and wood based products come from legal sources."***

Wood processing companies and distributors of timber products shall be able to demonstrate compliance to the requirements listed in this document for Participation in the **GFS Wood Tracking Program**. The company needs to demonstrate a formal chain of custody system that complies with the current GFS Wood Tracking Program requirements for identification and traceability of Verified Legal raw material through processing and trade of wood products. Compliance with the WTP CoC Requirements is defined where companies have been assessed to comply with all applicable Principles and Criteria as defined in procedures for the Wood Tracking Program (GFS-PRO-006-WTP Wood Tracking Program).

### Objective:

The objective of these requirements is to ensure companies participating in the **GFS Wood Tracking Program** implement a formal chain of custody system to provide traceability of wood products to forest or plantation areas that have been verified legal. Verified Legal (VL) is defined under the GFS Wood Tracking Program when a company demonstrates compliance to the current GFS Wood Tracking Program requirements for material or products that have been formally evaluated as Low Risk through a formal Risk Assessment. The Risk Assessment can be based on a documented review of Country level risk; Species level risk and Operational level risk as defined under the guidelines for Assessing Risk (GFS-WI-006-WTP.2 Supplier Evaluation & Risk Assessment). GFS WTP recognizes 3rd party verification or certification as due diligence for defining low risk of forests, manufacturing and trade of timber and wood products that is directly associated to Operational Risk.

All material and products identified and traded as Verified Legal (VL) within the WTP must be assessed as Low Risk either through the Risk Assessment or directly through an on-site assessment by GFS or other 3<sup>rd</sup> party organization. The GFS Legal Verification Service is used to directly evaluate and report legal compliance for

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forest and plantation areas to local and national regulations that do not meet the criteria for Low Risk based on the documented Risk Assessment guidelines.

### Wood Tracking Program - Chain of Custody Requirements

#### 1.0 Legal Requirements

The organization shall be legally registered and have adequate knowledge and demonstrate compliance to relevant regulations for its activities and operations.

1.1 The organization shall demonstrate that it has obtained all licenses; permits required for its activities.

1.1.1) The organization shall be legally registered and maintain permits for operations.

1.1.2) Records of licenses and permits shall be maintained up to date.

1.2 The organisation shall demonstrate compliance to relevant governmental regulatory requirements in respect to health and safety, based on their operations.

1.2.1) The organization shall have access to current relevant governmental regulatory requirements.

1.2.2) The organisation shall demonstrate compliance to safety & health regulations.

1.2.3) The organization shall have adequate safety and protective equipment to support their job functions, prevent accidents and fire.

1.2.4) The organization shall ensure operations to not negatively affect the health of workers, staff or local communities.

1.3 The organisation shall demonstrate compliance with all relevant governmental regulatory requirements in regards to labour & environment.

1.3.1) The organisation shall demonstrate compliance to labour regulations and contractual obligations (agreements) with workers.

1.3.2) The organisation shall demonstrate payments for salary; taxes; benefits; insurance; worker compensation; as required and applicable.

1.3.3) The organisation shall demonstrate compliance to environmental regulations associated with its activities.

1.4 The organisation shall demonstrate payments of fees charged by government for conducting its activities are current.

1.4.1) The organisation shall demonstrate required payments such as licensing and permit fees are paid.

#### 2.0 Documented Policy & Procedures

The organization shall have a policy on legal compliance and environmental protection and formal procedures on purchasing, production control and sales as appropriate to comply with the policy.

2.1 The Organization shall have a policy that makes reference to compliance with regulations, environmental issues such as CITIES and support for sustainable management through responsible purchasing of raw material and products.

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2.1.1) The Organization shall have a policy that makes reference to complying with legal requirements such as:

- Compliance to legal requirements and applicable international agreements (ILO)
- Purchase and use of legal raw material or products.
- The traceability of forest products within the supply chain to a verified legal source.
- Non-use of CITIES species unless there is a valid CITIES certificate.

2.2 The organisation shall have a formal documented program that describes the CoC System and identifies all points critical to control the production / trading system along with associated records/documents where there is a significant risk of materials from different categories of environmental status (**Verified Legal; Certified; Unclassified**) becoming mixed.

- 2.2.1) Documented plan and procedures are available.
- 2.2.2) Adequately define the CoC system based on the activities of the organization.
- 2.2.3) Includes subcontracted activities, if applicable.

2.3 The organisation shall include (as appropriate) purchasing, receiving, storage, identification, material allocation, processing, assembly, packaging and shipping within its CoC program.

- 2.3.1) Company has established procedures that adequately define all applicable critical control points as below:
  - Administration.
  - Purchasing & Supplier Risk Evaluation.
  - Receiving; Storage & Issuing into production.
  - Planning & Production Control.
  - Warehousing of finished goods
  - Sales.

2.4 The organisation has a formal agreement with subcontractor organizations to ensure all activities are conducted in accordance to the company's CoC procedures.

- 2.4.1) Agreement with subcontracting company, requiring compliance to the company's procedures.
- 2.4.2) Subcontracted activities are adequately defined in respect to procedures and activities.
- 2.4.3) Subcontracted activities comply with procedures.

### 3.0 Organisation & Training

The organization shall maintain an appropriate management structure and provide training of staff to control activities and comply with company procedures and policies.

3.1 The assessed organisation shall ensure that there is a management representative and clear organisation structure and responsibility for implementing and maintaining the CoC program.

- 3.1.1) The organization chart references the name and position of management representative.
- 3.1.2) Roles and responsibilities are defined for key staff for implementing the CoC system.

3.2 All staff understands their specific responsibilities in relation to maintaining the CoC system.

- 3.2.1) Key staff have training for their job and knowledge on the CoC system and procedures.
- 3.2.2) Key staff have adequate knowledge on safety and health.

3.3 Relevant training and experience records are maintained.

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3.3.1) Training and experience records are maintained for all staff.

**4.0 Purchasing, Importing & Receiving**

The organization shall have a formalized system for purchasing and receiving and recording of raw material and products from approved suppliers that are **Verified Legal (VL)** based on a Risk Assessment or through 3<sup>rd</sup> party verification to define low risk material and products.

4.1 The Organization shall conduct a supplier Risk Assessment to ensure that each supplier can be approved through documenting low risk of raw material or wood products in regards to purchasing Verified Legal material or wood products.

4.1.1) The organization must conduct a Risk Assessment of each supplier to evaluate risk of supplying raw material or products to document low risk for legality.

4.1.2) The evaluation of risk shall conform to the Risk Assessment Guidelines and General Risk Matrix (GFS-WI-006-WTP.2 Evaluation & Risk Assessment) or other 3<sup>rd</sup> party verification system as applicable.

4.1.3) The organization approves suppliers based on documentation of low risk.

4.1.4) The organization demonstrates purchasing of VL raw material or products from approved suppliers that have been assessed as Low Risk for VL production and sales.

4.2 Purchases of raw material and products that are not verified as low risk must not be used in the production of sale of Verified Legal (VL) products.

4.2.1) Suppliers and material that are not considered low risk following evaluation **must not** be used in manufacturing or trade of Verified Legal products under the WTP.

4.2.2) All non VL raw material and products must be clearly identified and separated from Verified Legal production and products.

4.3 Purchasing contracts and associated documents shall contain adequate information clearly describing the environmental status (**Verified Legal; Certified**) and quantities of the material purchased along with identification to trace the material back to origin.

4.3.1) Organization has purchase order/contracts defining purchase of VL raw material or products from approved suppliers.

4.3.2) Purchase documents are clearly identifiable and reference the requirements for supplying legal material.

4.3.3) Transport documents (Transport permits; timber disposal permits, removal passes, etc.) are available to confirm material or products purchased and received to legal origin and approved supplier.

4.4 Importing timber shall be for verified legal timber and in compliance with import regulations

4.4.1 Organisation shall have a valid import license; customs and phytosanitary inspections are conducted and fees paid as applicable.

4.4.2 Organisation shall demonstrate the import documents correspond to the material imported:

- Import approval from appropriate government organization
- Customs Declaration Forms
- Purchase Agreement / Contract #

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- Physical Inspection report by appropriate government organization
- Records of Import data
- Packing list (log list)
- Transport Permits or delivery notes (as applicable)

4.5 The organisation shall provide for adequate documentation, physical identification / segregation of raw material or goods purchased and received based on environmental status (**Verified Legal; Certified; Unclassified**).

- 4.5.1) There is clear physical identification of raw material or products received and stored based on environmental status.
- 4.5.2) Stock of material on site match records of raw material or products received & stored in the log yard or warehouse.
- 4.5.3) Records of VL raw material or products purchased and received each month are available and correct.

### 5.0 Process Controls for Manufacturing

The organization shall maintain a clear system for planning; identification; control and recording of verified legal raw material allocated to production through finished goods.

5.1 Manufacturing companies shall have procedures and planning that clearly defines a unit for production (batch#/work order-WO#) along with the environmental status (**Verified Legal; Certified or Unclassified**). Procedures shall ensure raw materials are correctly issued into the production unit based on the correct environmental status within a defined production period (maximum 1 calendar month).

- 5.1.1.) Company demonstrates adequate production planning and procedures that define unique production units (Work Order, batch, etc.).
- 5.1.2) Company has a documented system to allocate and record the correct raw material based on environmental status and quantity into the production unit (Work Order, batch, etc.).
- 5.1.3) Company adequately implements planning and production controls to segregate production of **Verified Legal** from **Unclassified** or **Certified** production units.

5.2 Manufacturing companies shall maintain adequate documentation of raw material used in each production unit to enable traceability to purchase contract and calculation of recovery based on volume of raw material input and volume of products produced.

- 5.2.1) Company has adequate records of raw material stock and issuing of material into each planned and defined production unit (Work Order, batch, etc.) that is traceable to the purchase contract.
- 5.2.2) Company maintains records of input volume of raw material and output volume of products for production units (Work Orders; batches) for calculation of recovery.
- 5.2.3) Summary records of raw material allocated to production and products produced for each production unit are maintained by month.

5.3 Manufacturing companies should be able to demonstrate the CoC System with use of Verified Legal or Certified raw material. If material used to demonstrate the CoC system is not under one of the aforementioned environmental categories, then the company must notify GFS to conduct an initial surveillance when acceptable material is available.

- 5.3.1) Company adequately demonstrates the CoC system with use of Verified Legal or certified raw material in production according to a pre-defined unit of production (work order; batch).

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5.4 All work in progress, components and finished goods shall be clearly identifiable to its environmental status and appropriate production unit (work order #; batch #, etc.) to maintain traceability from raw material through finished products, warehousing and sales.

5.4.1 Work in progress is consistently identified to a specific unit of production (Work Order #; batch #) and environmental status.

5.4.2) Stock material on the production floor, rework material, etc, are clearly identified as to legal status and production unit or purchase order #.

5.4.3) Finished goods are consistently identified to a specific unit of production (Work Order #; batch#) and environmental status.

5.5 The company shall maintain detailed production records of finished goods that should be entered into warehouse records and allocated to a sales order that references both environmental status and production unit #.

5.5.1) The company should maintain records of finished goods by production unit, quantity and volume that is allocated to a finished goods warehouse.

5.5.2) Warehouse records should have clear reference for allocation of finished goods to sales that enables traceability between production units (WO#) and specific sales orders numbers and current stock levels.

### 6.0 Sales, Exports & Customs

The organization shall maintain a clear system for identification, control of verified legal products manufactured and purchased for sale and export to buyers that comply with legal regulations.

6.1 The organisation shall have & implement procedures to ensure that all products sold under a sales order are clearly identifiable according to its **Verified Legal** status; species and traceable to the production unit and/or purchase order as appropriate.

6.1.1) Sales procedures clearly define the products and species used, to be sold according to **Verified Legal** status and traceable to the production unit for manufacturing companies or to the purchase contract/ order for trading companies.

6.2 Sales invoices and other documentation related to sales of product identified using the GFS WTP statement shall include the registered GFS Wood Tracking Participation #. The organization should also identify all material and finished goods sold using a product declaration form based on GFS-FORM-006-WTP.6 Product Declaration.

6.2.1) Sales invoices and packing lists reference the GFS WTP# for legal verified material sold under the program.

6.2.2) Organization should use an approved product declaration form for all exported material and products that defines species; quantity & verified legal status & traceability to production units as appropriate.

6.3 The company shall comply with export regulations and ensure payments of exports fees and taxes are current.

6.3.1) The company shall possess a valid Export License / Permit

6.3.2) The company shall ensure that each consignment for export has been approved and inspected by government agencies as required.

6.3.3) The company shall ensure inspections and fees are paid and as required and transport permits are issued if applicable.

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6.3.4) Organisation shall ensure that each export consignment is cleared by customs and consists of the required documentation.

6.4 The organisation shall maintain sales records that can be summarized to verify the quantity of Verified Legal material and finished goods sold.

6.4.1) Sales records clearly identify verified legal products sold that can be traced to defined production units and or purchase orders.

6.4.2) Quantity of Verified Legal products sold to various buyers are clearly recorded.

6.5 Sales, marketing claims and documentation for products sold under the GFS Wood Tracking Program shall be in compliance to the Conditions of Participation (GFS-WI-006-WTP.4).

6.5.1) Sales, marketing claims, website information identify the company's GFS WTP Statement #.

6.5.2) Claims are factual and not misleading.

### 7.0 Summary Records & Data

The organization shall maintain a clear system for documenting and maintaining records of legal material purchased; issued into production; finished goods manufactured and products for sale to buyers.

7.1 The organisation shall maintain records that can be summarised for all material received; issued into each work order and finished goods produced and sold as appropriate by environmental status.

7.1.1) Verified Legal raw material or products purchased are summarized monthly along with outstanding balances.

7.1.2) Records of finished goods produced under defined production units are summarized monthly that can be related to warehouse of finished goods stock or sales.

7.1.3) Sales records for verified legal products are summarized monthly.

7.2 Retention times for records relevant to the CoC system shall be defined based on their use but shall be at least 5 years.

7.2.1) The organization shall have procedures and system to ensure key records are maintained for 5 years or more.

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