

FSC® POLICY

Annual Administration Fee (AAF)

FSC-POL-20-005 V2-0 EN



Title: Annual Administration Fee (AAF)
Document reference code: FSC-POL-20-005 V2-0 EN
Approval date and body: 30 September 2013 - FSC Director General
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30 September 2013

The Forest Stewardship Council® (FSC) is an independent, not for profit, non-government organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

A Objective

The objective of this Policy is to describe the basic principles for establishing the AAF for FSC certificate holders and the process of managing the AAF for FSC-accredited certification bodies.

B Scope

This Policy is mandatory for FSC certificate holders and FSC-accredited certification bodies.

C Effective and validity dates

Approval date	30 September 2013
Publication date	01 October 2013
Effective date	01 January 2014
Period of validity	until 31 December 2018 (or until replaced or withdrawn)

D References

The following referenced documents are relevant for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

FSC-STD-01-002 FSC Glossary of Terms

FSC-STD-20-007 Forest Management Evaluations

FSC-ADV-50-003 Labeling Products from Small and Community Producers

E Terms and definitions

For the purpose of this procedure, the terms and definitions given in *FSC-STD-01-002 FSC Glossary of Terms*, and the following apply:

Community Forestry:

A management unit complying with the following tenure AND management criteria:

Tenure: The legal right to manage the management unit (e.g., title, long-term lease, concession) is held at the communal level, AND the community members must be either indigenous peoples or traditional peoples¹.

Management: The community actively manages the management unit through a concerted effort (e.g., under a communal forest management plan) OR the community authorizes management of the forest by others (e.g., resource manager, contractors, forest products company).

If the community authorizes management of the forest by others, criterion 1 AND either criterion 2 or 3 must be met:

- Criterion 1: The community's own representative institution has legal responsibility for the harvesting operations, AND
- Criterion 2: The community performs the harvesting operations, OR
- Criterion 3: The community's own representative institution is responsible for the forest management decisions, and follows and monitors the operations.

¹ See FSC-ADV-50-003 V1-0 for the applicable definition of "indigenous peoples" and "traditional peoples".
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NOTE: The forest can be either located in a communal forest and/or on individually-assigned plots, as long as the right to use the forest is communally held (e.g., this is the case for Mexican ejidos, Brazilian sustainable development reserves).

Natural Forests for Conservation Purposes: Management Units that have as management objective the conservation of natural forests, with clear conservation, and no commercial, objectives.

Applicability note: This category can also be used for the calculation of the AAF in the case of forest areas within Management Units that include both productive and also conservation areas, provided that these areas are excluded from commercial harvesting activities in the current forest management plan and also in the long term planning of the certified operation.

Plantation: a forest area established by planting or sowing with using either alien or native species, often with one or few species, regular spacing and even ages, and which lacks most of the principal characteristics and key elements of natural forests (adapted from FSC-STD-01-001 V5-0).

SLIMF: A management unit that is either 'small' OR managed with 'low intensity' as defined in FSC-STD-01-003 SLIMF Eligibility Criteria.

Suspension: The temporary removal by certification body administrative action of a certificate holder's certification pending either corrective action by the certificate holder or formal withdrawal of certification by the certification body.

Termination: Voluntary cancellation of the certification contract by either the certification body or the certificate holder according to contractual arrangements.

Trader: A person or legal entity that buys and sells wood and/or non-timber forest products and who takes legal possession of the goods. Traders do not conduct any changes to these products, either directly or through outsourcing.

Tropical, temperate, boreal forests: The definition of these forest types follows the categories defined by the Holdridge Life Zones data set².

Turnover: Total revenue of an organization derived from the provision of goods and services, less trade discounts, VAT, and any other taxes based on this revenue (Dictionary of Business, Oxford University Press, 1996). In the context of the Annual Administration Fee, turnover refers to forest products (e.g. sawn timber, particle boards, paper, non-timber forest products) and products containing wood or fiber components. It does not refer to other 100% non-wood (non-fiber) products companies might produce. The annual turnover refers to the most recently completed fiscal year.

Withdrawal: The removal by the certification body of a certificate holder's certification.

² The Holdridge Life Zones data set is from the International Institute for Applied Systems Analyses (IIASA) in Laxenburg, Austria. The data set shows the Holdridge Life Zones of the World, a combination of climate and vegetation (ecological) types, under current, so-called "normal" climate conditions. It has a spatial resolution of one-half degree latitude/longitude, and a total of 38 life-zone classes.

1 General principles

- 1.1 The AAF is an annual fee charged by FSC to accredited certification bodies calculated on a “per certificate” basis.
- 1.2 The purpose of the AAF is to support the core operations of the FSC system, both at national and international level, including among others:
 - a) FSC’s multi-stakeholder governance mechanisms;
 - b) Development of policy and standards;
 - c) Marketing and market development activities;
 - d) Trademark protection;
 - e) Communication and dissemination of information;
 - f) Decentralized support structures in key countries or regions.
- 1.3 Certification bodies shall identify the AAF on their invoices to certificate holders.
- 1.4 The AAF Policy will be reviewed annually (every calendar year) and, if necessary, revised to remain consistent with any new FSC strategy and/or policy or account for inflation.

2 Calculating the AAF for Forest Management (FM), Forest Management / Chain of Custody (FM/COC) and Controlled Wood (CW/FM) certificates

- 2.1 Calculation of the AAF for FM, FM/COC and CW/FM certificates utilizes 7 different categories reflecting forest type³, management objectives, productivity and scale. A fixed rate of USD 10 is generated by each certificate and an additional per hectare fee is calculated on top of this rate (see Table 1). Different per hectare rates are used for the different forest management categories. Certificates fully qualifying as SLIMF or Community Forestry are completely free of charge, i.e. their area shall not be included into the per ha calculation and no per fixed per certificate rate shall be applied.

Table 1: AAF for FM, FM/COC and CW/FM certificates

Categories of Forest Management	Per Hectare Rate (USD)
SLIMF	zero
Natural Forest - Community Forestry	zero
Natural Forest - Conservation purposes	\$ 0.0001
Natural Forest - Tropical	\$ 0.0020
Natural Forest - Boreal	\$ 0.0035
Natural Forest - Temperate	\$ 0.0045
Plantations	\$ 0.0200

- 2.2 Primary or secondary processing facilities associated with a forest management enterprise require a separate COC certificate if the conditions as outlined in Clause 1.5 in FSC-STD-20-007 V3-0 are met. In this case, a separate AAF for the processing facility shall be calculated according to the COC fee structure in Section 3 below.
- 2.3 For the calculation of the AAF, certification bodies can consider conservation forest areas that are part of larger management units, in the category of “Natural Forests -

³ The relevant forest management category for each certified forest operation needs to be determined and each certificate needs to be classified into one of these categories, by the certification bodies. See Section E, above, for more information on definitions.

conservation purposes”. The productive areas of such management units under economic and/or commercial use will be included in the relevant forest type AAF category.

- 2.4 **Group forest management certificates** will be charged with a USD 10.00 fixed rate per group member and an additional per hectare fee based on the sum of individual AAF calculated for each group member according to its corresponding category. Certificates of group members qualifying as SLIMF or Community Forestry are completely free of charge, i.e. their area shall not be included into the per ha calculation and no per member fee shall be applied.

3 Calculating the AAF for Chain of Custody (COC)

- 3.1 Calculation of the AAF for COC certificates has been developed using 11 different categories⁴, and it is based on the annual financial turnover of all certified and non-certified products containing wood or wood fiber components, of each certificate holder. For the purposes of this Policy, the annual turnover refers to the most recently completed fiscal year.

3.2 COC fee structure for processing enterprises

- 3.2.1 For **single and multi-site COC certificates** a fee will be calculated for each category (see Table 2) based on the aggregate annual turnover of the sites included in the scope of the certificate. The AAF calculation for multi-sites (Column 4) shall be independent of the similarity or differences of activities conducted at the different sites in the scope of the certificate.

Table 2: AAF for single and multi-site COC and trader certificates (in USD)

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Class	Annual Turnover	Single COC	Multi-site COC	Trader single	Trader Multi-site
Class 1	< 200,000	\$ 65	\$ 65	\$ 25	\$ 25
Class 2	200,000 – 1,000,000	\$ 270	\$ 270	\$ 100	\$ 100
Class 3	> 1 – 5 Million	\$ 530	\$ 530	\$ 200	\$ 300
Class 4	> 5 – 25 Million	\$ 1,070	\$ 1,070	\$ 400	\$ 400
Class 5	> 25 – 100 Million	\$ 1,880	\$ 1,880	\$ 670	\$ 670
Class 6	> 100 – 500 Million	\$ 4,000	\$ 4,700	\$ 1,000	\$ 1,100
Class 7	> 500 – 1,000 Million	\$ 6,700	\$ 10,000	\$ 2,000	\$ 2,100
Class 8	> 1,000 – 2,000 Million	\$ 9,400	\$ 20,000	\$ 4,000	\$ 4,250
Class 9	> 2,000 – 3,000 Million	\$ 15,000	\$ 30,000	\$ 5,000	\$ 6,000
Class 10	> 3,000 – 5,000 Million	\$ 20,000	\$ 40,000	\$ 7,000	\$ 8,000
Class 10+	> 5,000 Million	\$ 30,000	\$ 50,000	\$ 10,000	\$ 12,000

NOTE: Fee Classes 10 and 10+ will become effective as of 01 January 2015. Until then Class 9 will represent the highest Class with no upper limit.

- 3.2.2 For **group COC certificates** a fixed fee of USD 20.00 will be charged for each group member, plus an overall fee corresponding to the aggregate annual turnover of all

⁴ Fee Classes 10 and 10+ will become effective as of 01 January 2015. Until then Class 9 will represent the highest Class with no upper limit.

members, as calculated for single COC certificates taken from Column 3 (see Table 2).

3.3 COC fee structure for traders

3.3.1 The AAF for Traders takes into account that this category of enterprises can have a high turnover in relation to their profit margin. Only operations that do not conduct any changes to the traded products, either directly or through outsourcing, are eligible for this category. Table 2 Column 5 presents the rates for single Trader certificates. The AAF for traders in a multi-site certificate shall be calculated based on the aggregate annual turnover of the sites included in the scope of the certificate, by applying the rate in Column 6.

3.4 COC fee structure for project certificates

3.4.1 The AAF related to project certification shall be calculated as 0.01% (one-hundredth of 1%) of the overall cost of the project.

3.5 COC fee structure for certificate holders that do not have an annual turnover of forest products and products containing wood or fiber components

3.5.1 CoC certificate holders that trade or produce certified material or products but do not sell these, e.g. free give away of certified catalogs, certified packaging for products they sell, etc. do not have an annual turnover of forest products and products containing wood or fiber components to base the AAF calculation on according to Clause 3.1. The AAF related to such certificate holders shall follow the same fee structure as for multi-site Traders (Table 2, Column 6). The AAF is calculated based on the annual overall purchasing cost of certified material and products instead of annual turnover of forest products and products containing wood or fiber components.

4 Managing the AAF

4.1 The certification body shall be responsible for providing the FSC with the information related to their certificates and the associated AAF class and shall fill-in the appropriate fields in the FSC certificate database. The AAF is expected to be updated in the FSC database on an annual basis and based on the annual audit of the certificate holder by the certification body.

4.2 The AAF will be calculated automatically from the FSC database using the information provided by certification bodies. The database is set up in such a way, that it is not be possible for the CB administrator to close the page unless the AAF relevant fields have been completed.

4.3 FSC will invoice for the AAF on a quarterly basis as specified in Table 3 (below). AAF invoices are payable within 2 months of the invoice date. Overdue accounts on AAF invoices will be subject to interest as of the due date of the invoice at a rate of 1% per month. Invoices paid within their timelines will receive a 2% discount and invoices paid within the same month of the invoice will receive a 5% discount for early payment.

Table 3: AAF payment schedule and discounts

Quarter	Invoice date	5% discount in case of payment by	2% discount in case of payment by
1	01 February	End of February	End of March
2	01 May	End of May	End of June
3	01 August	End of August	End of September
4	01 November	End of November	End of December

Note: If an invoice has to be revised due to a mistake made by FSC, the new date of the revised invoice will define the eligibility for a discount.

- 4.4 The AAF invoices will be calculated on a quarterly basis, taking into account the AAF information available in the FSC database on the determination dates specified in Table 4 (or the next working day) and dividing the final result by four. The quarterly calculation will allow for the AAF for each quarter to be adjusted based only on terminations or withdrawals and transfers (see Clause 4.10) as well as new certificates. AAF invoices are based on the AAF information available in the FSC database for the preceding calendar year such that any updates made in the current calendar year do not affect the AAF invoice. For this reason certification bodies are required to make all changes to existing certificate holder AAF information before the cutoff date 31st December in the preceding year.

Table 4: AAF payment schedule and discounts

Quarter	Determination date
1	01 January
2	01 April
3	01 July
4	01 October

- 4.5 Certification bodies are strongly encouraged to embed the AAF into their own systems in order to minimize administrative costs.
- 4.6 Certification bodies are responsible for paying all fees as calculated by the AAF Policy within the timeframes outlined above. Payment of the AAF to FSC is independent of collections by certification bodies. Certification bodies are responsible for their own invoicing arrangements and collections independent of FSC and the AAF. Failure of a certification body to collect fees from their customers is not a valid reason for delay in the payment of the AAF.
- 4.7 If certification bodies are sending out invoices to their certificate holders in a currency other than USD, they shall apply the conversion rate at the respective issue date of the invoice or the service proposal. Certification bodies are recommended to use the currency converter provided by OANDA (www.oanda.com) for this calculation. A charge of up to 4% to account for currency conversion costs may also be included.
- 4.8 A **suspended certificate** is considered valid and therefore subject to payment of the AAF. Exception: A certificate which has been suspended due to the absence of a valid 'License Agreement for the FSC Certification Scheme' is not subject to AAF anymore.
- 4.9 A certificate holder is neither charged the AAF nor parts of the AAF for that year in which the certificate is **withdrawn** and/or **terminated**. The responsible certification body shall be refunded by FSC Global Development the amount of AAF that has been paid on behalf of the certificate holder until the date of the certificate withdrawal and/or termination.
- 4.10 When an active certificate (i.e. a certificate that is not suspended, withdrawn, terminated or expired) is transferred from one certification body to another, then the succeeding certification body taking over the certificate is responsible to determine and collect the corresponding annual AAF from the certificate holder. The preceding certification body shall refund (the certificate holder) the amount of AAF collected for FSC that it has not yet paid on behalf of the certificate holder ,i.e. collected 4 quarters, but only charged for 2 quarters unless transfer date is after the cutoff date, refund to cert holder 2 quarters AAF. The preceding certification body shall be refunded the amount of AAF by FSC Global Development that it has paid on behalf of the certificate holder until the date of transferring the certificate.