






Forest Stewardship Council®



# Annual Administration Fee (AAF)

FSC-POL-20-005 V2-8 EN

<b>Title:</b>	Annual Administration Fee (AAF)
<b>Document reference code:</b>	FSC-POL-20-005 V2-8 EN
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## Annual Administration Fee (AAF)

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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 calculating and administering the Annual Administration Fee (AAF) for FSC-accredited certification bodies.

## B Scope

This Policy is applicable to FSC-accredited certification bodies.

This Policy is an evolving and adaptive document and therefore does not fall within the scope of FSC-PRO-01-001.

## C Effective and validity dates

Approval date	03 September 2019
Publication date	01 October 2019
Effective date	01 January 2020
Period of validity	until replaced or withdrawn
Transition period	n/a – the new Version replaces the old Version on the effective date with no transition

## 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*

*FSC-FAQ-20-005*

## 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 peoples<sup>1</sup>.

**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).

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<sup>1</sup> See FSC-ADV-50-003 V1-0 for the applicable definition of “indigenous peoples” and “traditional peoples”.

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.

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 transformation of these products, either directly or through outsourcing.

NOTE: Installation of finished products, kiln drying of wood, the filling of packaging and cutting into size are not considered product transformation.

Examples:

- A person or legal entity that cuts and/ or de-barks trees or logs may be classified as a trader.
- A person or legal entity that regularly or sporadically saws or chips logs shall be classified as a processing enterprise.
- A person or legal entity such as a paper merchant (distributor) who only sporadically cuts products to size on demand of the customer may be classified as a trader.
- Paper merchants regularly cutting paper to size shall be classified as a processing enterprise.

**Tropical, temperate, boreal forests:** The definition of these forest types follows the categories defined by the Holdridge Life Zones data set<sup>2</sup>.

**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 all certified and uncertified 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-forest 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.

## **F Version History**

**Version 2-2** of this Policy is the result of a minor revision, implementing the following changes:

- Adjustment of the AAF for COC certificate holders by the 2014 global inflation rate of 3.45% (World Bank) as per Clause 1.4. New AAF figures are rounded up to the next whole number.

NOTE: The new Classes 10 and 10+ have been exempted from the adjustment in this revision.

- Incorporation of clarifications from the AAF FAQ (as feasible).
- Changes to the AAF charging process to reflect FSC's current practice.
- Elimination of the refunding process as quarterly calculations in the actual year now account for changes in the certificate portfolio.

**Version 2-3 and 2-4** replace V2-2 which has been withdrawn before the effective date due to a mistake in the project certification clause and typos in the AAF figures. The penalty clause (1.6) for wrongly reported AAF classes has also been revised to incorporate latest legal advice.

**Version 2-5** is the result of a minor revision, implementing the following changes:

- Adjustment of the AAF for COC certificate holders by the 2015 global inflation rate of 2.778% (International Monetary Fund) as per Clause 1.4. New AAF figures are rounded up to the next whole number.
- Incorporation of clarifications from the AAF FAQ and AAF interpretations.
- Definition of *trader* added to the 'Terms and Definitions', including the clarification that loggers can be charged like traders (as long as they do not transform the product).

**Version 2-6** is the result of a minor revision, implementing the following changes:

- Adjustment of the AAF for COC certificate holders by the 2016 global inflation rate of 2.8% (International Monetary Fund) as per Clause 1.4. New AAF figures are rounded up to the next whole number.

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<sup>2</sup> 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.

**Version 2-7** is the result of a minor revision, implementing the following changes:

- Adjustment of the AAF for COC certificate holders by the 2017 global inflation rate of 3.0% (International Monetary Fund) as per Clause 1.4. New AAF figures are rounded up to the next whole number.
- Minor revision of Clause 3.1.1 to eliminate redundancies and to provide clarity regarding the 'turnover' concept in the context of this Policy.

**Version 2-8** is the result of a minor revision, implementing the following changes:

- Adjustment of the AAF for COC certificate holders by the 2018 global inflation rate of 3.6% (International Monetary Fund) as per Clause 1.4. New AAF figures are rounded up to the next whole number.

## **1 General principles**

- 1.1 The AAF is an annual fee charged by FSC Global Development to accredited certification bodies (CBs) calculated on the basis of the respective certificate holder portfolio.
- 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 in USD as calculated for that certificate holder according to this Policy. Any additional fees, rates, conversions or charges shall be presented separately.
- 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 according to the global inflation rate of the previous year.
- 1.5 CBs shall be responsible for providing the necessary information for calculating the AAF by filling the relevant fields in the FSC certificate database. 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 fields have been completed. CBs shall review and if necessary update the AAF-related information at least on an annual basis and based on the findings of their annual audit of the certificate holder.
- 1.6 When FSC detects the entry of wrong AAF information to FSC's disadvantage, the CB will be charged the fee of the AAF class of the respective category above the AAF class that would objectively apply for that certificate for the whole certificate cycle, irrespective of the assertion of further claims for damages that FSC may have suffered, because of CB's wrong classification in the past. FSC shall be entitled to claim such damages in addition to the increase of the CB's classification.

NOTE: "Wrong information" is understood as the reporting of an AAF Class for COC certificate holders that does not correctly reflect the company's turnover (as defined and categorized by FSC in this Policy).

## 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 type<sup>3</sup>, 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 (in USD)

Categories of Forest Management	Per Hectare Rate
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.

NOTE: If more than one processing facilities are included in a joint FM/COC certificate, the aggregated turnover of all processing facilities shall determine the COC-part of the total AAF.

- 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 - 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 fixed rate per group certificate and an additional per hectare fee based on the sum of individual AAF calculated for each group member according to its corresponding category. Group members qualifying as SLIMF or Community Forestry are free of charge, i.e. their area shall not be included into the per ha calculation. Certificates consisting only of group members qualifying as SLIMF and/or Community Forestry are completely free of charge.

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<sup>3</sup> 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.



### 3 Calculating the AAF for Chain of Custody (COC)

#### 3.1 General principles

- 3.1.1 Calculation of the AAF for COC certificates has been developed using 11 different classes, and it is based on the annual financial turnover (according to the definition in Section E, above) of the certificate holder.
- 3.1.2 A newly founded company that has not yet completed a full fiscal year and therefore cannot provide the required turnover figure to determine the AAF Class shall be assigned to Class 1 of the respective category. The AAF Class shall be adapted annually as the company is developing in accordance to their reported annual turnover.
- 3.1.3 If a COC certificate holder is not willing or able to provide verifiable figures on their turnover, the certificate holder shall be required to formally declare the applicable AAF Class that applies to them.

#### 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)

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>
<b>Class</b>	<b>Annual Turnover</b>	<b>Single COC</b>	<b>Multi-site COC</b>	<b>Trader single</b>	<b>Trader Multi-site</b>
Class 1	< 200,000	\$ 77	\$ 77	\$ 31	\$ 31
Class 2	200,000 – 1,000,000	\$ 316	\$ 316	\$ 119	\$ 119
Class 3	> 1 – 5 Million	\$ 620	\$ 620	\$ 235	\$ 352
Class 4	> 5 – 25 Million	\$ 1,249	\$ 1,249	\$ 468	\$ 468
Class 5	> 25 – 100 Million	\$ 2,194	\$ 2,194	\$ 784	\$ 784
Class 6	> 100 – 500 Million	\$ 4,667	\$ 5,428	\$ 1,168	\$ 1,284
Class 7	> 500 – 1,000 Million	\$ 7,816	\$ 11,664	\$ 2,334	\$ 2,451
Class 8	> 1,000 – 2,000 Million	\$ 10,966	\$ 23,327	\$ 4,667	\$ 4,959
Class 9	> 2,000 – 3,000 Million	\$ 17,496	\$ 34,990	\$ 5,833	\$ 6,999
Class 10	> 3,000 – 5,000 Million	\$ 22,550	\$ 45,099	\$ 7,893	\$ 9,021
Class 10+	> 5,000 Million	\$ 33,834	\$ 56,372	\$ 11,275	\$ 13,531

- 3.2.2 For **group COC certificates** a fixed fee of USD 20 will be charged for each group member, plus an overall fee corresponding to the aggregate annual turnover of all 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.
- 3.3.2 For certificates of **groups of traders** a fixed fee of USD 20 will be charged for each group member, plus an overall fee corresponding to the aggregate annual turnover of all members, as calculated for single trader certificates taken from Column 5 (see Table 2).
- 3.3.3 For group certificates including both traders and processing enterprises, a fixed fee of USD 20 will be charged for each group member, plus an overall fee corresponding to the aggregate annual turnover of all traders in the group (calculated as described in Clause 3.3.2, above) plus an overall fee corresponding to the aggregate annual turnover of all processing enterprises in the group (calculated as described in Clause 3.2.2, above).

NOTE: For the purpose of this Policy, an individual enterprise that is conducting processing and trading activities shall always be treated as a 'processing enterprise'.

### **3.4 COC fee structure for project certificates**

- 3.4.1 The AAF related to project certification follows the same fee schedule as the AAF for single Traders (Table 2, Column 5), with the overall cost of the project being considered instead of annual turnover of forest products. The AAF for project certificates is due only once, in the quarter following the issuance of the certificate.

### **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 3.1.1. 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.

NOTE: The cost of certified material and products include the cost of FSC Controlled Wood material and products.

## **4 Charging the AAF**

- 4.1 FSC will calculate the AAF from the information provided by CBs in the FSC database.
- 4.2 FSC will calculate and invoice 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. The assertion of further damage is not excluded. 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.

- 4.3 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 on terminations or withdrawals and transfers as well as new certificates and AAF class changes.

**Table 4:** AAF determination dates

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

- 4.4 Certification bodies are strongly encouraged to embed the AAF into their own systems in order to minimize administrative costs.
- 4.5 Certification bodies are responsible for paying all fees as calculated by the AAF Policy within the timeframes outlined above in full without any deduction of taxes, if applicable, arising on the fees; any such potential tax does not reduce the payable fees to FSC Global Development. 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.
- 4.6 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](http://www.oanda.com)) for this calculation.
- 4.7 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.
- 4.8 In the case of transferred certificates, the preceding CB shall be responsible to pay the AAF within the quarter where the transfer is happening. From the following quarter onwards the succeeding CB will be invoiced.



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