



FSC ANNUAL ADMINISTRATION FEE POLICY

Title:	ANNUAL ADMINISTRATION FEE POLICY (AAF) 2011
FSC reference code:	FSC-POL-20-005 V1-0
Type of document:	FSC Policy
Status of document:	Final
Date:	26 July 2010
Deadline for comments:	N/A
Body responsible for drafting:	FSC
Contact person:	Andre de Freitas
Contact email:	a.freitas@fsc.org
Approval body:	FSC Director General

Published by Forest Stewardship Council, A.C. Any reproduction in full or in part of this publication must mention the title and reference code and credit the above-mentioned publisher as the copyright owner.



1. Introduction

- The AAF is an annual fee charged by FSC to accredited certification bodies, calculated on a “per certificate” basis.
- The purpose of the AAF is to support the core operations of the FSC system¹, both at the national and international level, including among others:
 - FSC’s multi-stakeholder governance mechanisms
 - Development of policy and standards related to FSC certification
 - Marketing and market development activities
 - Trademark protection
 - Communication and dissemination of information
- Certification bodies have jointly agreed to communicate the AAF to their clients consistently with an explicit statement on their invoices.²
- The FSC AAF has been developed to be consistent with FSC global strategies, policies and priorities and will be reviewed annually and, if necessary, revised to remain consistent with any new FSC strategy and/or policy or account for inflation.

2. Annual Administration Fee for Forest Management (FM), Forest Management / Chain of Custody (FM/COC) and Controlled Wood (CW)

Calculation of the AAF for the FM, FM/COC and CW portfolio of FSC accredited certification bodies utilizes 7 different categories reflecting forest type³, management objectives, productivity and scale. A fixed rate of US \$ 10 is generated by each Certificate and an additional per hectare fee is calculated on top of the fixed rate (see Table 1). Different per hectare rates are used for the different forest management categories.

Table 1 – FM, FM/COC and CW Annual Administration Fee

Categories of Forest Management	Per Hectare Rate (US \$)
SLIMF⁴	0.0001
Natural Forest - Conservation purposes	0.0001
Natural Forest - Community Forestry	0.0010
Natural Forest - Tropical	0.0020
Natural Forest - Boreal	0.0030

¹ As a non-profit organization, FSC reinvests in its activities the positive financial results it may achieve in a fiscal year.

² FSC Certification Bodies meeting, 28 January 2004, Bonn, Germany.

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 5 below for more information on definitions.

⁴ SLIMF type operations shall always use the per hectare rate for SLIMFs, independent of their forest type.



Natural Forest - Temperate	0.0040
Plantations	0.0100

Where primary or secondary processing facilities are included in the scope of an FM / COC or CW certificate an additional AAF for the processing facilities shall be calculated according to the COC fee structure related to processing enterprises, see section 3.1 below.

For the calculation of the AAF, certification bodies can consider conservation forest areas that are part of larger forest management units, in the category of “Natural Forests - conservation purposes”⁵. The productive areas of such forest management units under economic and/or commercial use will be included in the relevant forest type AAF category.

Group forest management certificates will be charged like all other certificates, with a US \$ 10.00 fixed rate and an additional per hectare fee based on the sum of individual AAF calculated for each group member according to its corresponding category.

3. Annual Administration Fee for Chain of Custody (COC)

Calculation of the AAF for COC certificates has been developed using 8 different categories, and it is based on the annual turnover of forest products and products containing wood or fiber components, of each certificate holder. For the purposes of this policy, the annual turnover refers to the most recently completed fiscal year. This is expected to be updated on an annual basis during the annual audit of the certificate holder.

3.1 COC fee structure related to processing enterprises

3.1.1 For **single COC certificates** a fixed 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.

Table 2 – COC Annual Administration Fee (US \$) for single CoC certificates

Classification of certificate holders by annual turnover	Fixed Rate
Class 1 < US \$ 200,000	50
Class 2 US \$ 200,001 to US \$ 1,000,000	200
Class 3 US \$ 1,000,001 to US \$ 5,000,000	400
Class 4 US \$ 5,000,001 to US \$25,000,000	800
Class 5	1,400



US \$ 25,000,001 to US \$ 100,000,000	
Class 6 US \$ 100,000,001 to US \$ 500,000,000	3,000
Class 7 US \$ 500,000,001 to US \$ 1,000,000,000	5,000
Class 8 > US \$ 1,000,000,001	7,500

3.1.2 For **multi-site COC certificates** a fixed fee will be calculated for each category (see Table 3), based on the aggregate annual turnover of the sites included in the scope of the certificate.

Table 3 – COC Annual Administration Fee (US \$) for multi-site CoC certificates

Classification of certificate holders by annual turnover	Fixed Rate
Class 1 < US \$ 200,000	50
Class 2 US \$ 200,001 to US \$ 1,000,000	200
Class 3 US \$ 1,000,001 to US \$ 5,000,000	400
Class 4 US \$ 5,000,001 to US \$25,000,000	800
Class 5 US \$ 25,000,001 to US \$ 100,000,000	1,400
Class 6 US \$ 100,000,001 to US \$ 500,000,000	3,500
Class 7 US \$ 500,000,001 to US \$ 1,000,000,000	7,500
Class 8 > US \$ 1,000,000,001	15,000

For example, a multi-site COC certificate with 3 individual sites:

- o Site A, turnover 6 million US\$;
- o Site B, turnover 3 million US\$;
- o Site C, turnover 20 million US\$;
- o Overall turnover= 29 Million, (AAF = US\$ 1,400).
- o Overall AAF calculation = US\$ 1,400

3.1.3 The AAF for group COC certificates will be calculated as follows:

- A fixed fee of US\$ 10 per group COC member, plus
- An overall fee corresponding to the aggregate annual turnover of members, as calculated for single COC certificates (Table 2).

For example, a COC group scheme with 25 members and an aggregate turnover of US\$ 20 million would fall in COC category 4, with a corresponding fee of US\$ 800, plus 25 x US\$ 10= US\$ 250 , resulting in a total fee of US\$ 1,050.



3.2 AAF for Traders

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 4 presents the AAF categories for Traders.

Table 4 – COC Annual Administration Fee for Traders

Classification of certificate holders by annual turnover	Fixed Rate
Class 1 < US \$ 200,000	20
Class 2 US \$ 200,001 to US \$ 1,000,000	75
Class 3 US \$ 1,000,001 to US \$ 5,000,000	150
Class 4 US \$ 5,000,001 to US\$ 25,000,000	300
Class 5 US \$ 25,000,001 to US \$ 100,000,000	500
Class 6 US \$ 100,000,001 to US \$ 500,000,000	750
Class 7 US \$ 500,000,001 to US \$ 1,000,000,000	1,500
Class 8 > US \$ 1,000,000,001	3,000

3.3 AAF for Project Certification

The AAF related to project certification follows the same fee scheduled as the AAF for Traders (Table 4), with 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.

4. Management of the AAF

- 4.1 The certification body is 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.
- 4.2 The AAF will be calculated automatically from the FSC database using the information provided by certification bodies. The lack of information regarding the AAF class for a certificate holder will result in the highest AAF class being assigned to it.



4.3 FSC will invoice for the AAF on a quarterly basis as follows:

Quarter	Invoice date	5% discount – Payment by	2% discount – Payment by
1st	1 February	end of February	end of March
2nd	1 May	end of May	end of June
3rd	1 August	end of August	end of September
4th	1 November	end of November	end of December

AAF invoices are payable within 2 months. 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.

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 following dates (or the next working day) and dividing the final result by four:

Quarter	Information from the FSC database
1st	1 January
2nd	1 April
3rd	1 July
4th	1 October

4.5 The quarterly calculation will allow for the AAF for each quarter to be adjusted based on terminations or withdrawals and also new certificates.

4.6 Certification bodies are strongly encouraged to embed the AAF into their own systems in order to minimize administrative costs.

4.7 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 invoices from their customers is not a valid reason for delay in the payment of the AAF.

4.8 **Suspended certificates**

If a suspended certificate is not withdrawn then the AAF is calculated for the certificate. If a suspended certificate is withdrawn then from that point it is covered by Section 4.4 above and the AAF will not have to be paid for the certificate.



4.9 Transferred certificates

When a certificate is transferred to a new certification body, then the new certification body taking over the FSC certificate will be responsible for the corresponding AAF.

5. Definitions

Community Forestry

Community Forestry (Definition adapted from FAO, 1997): A Community Forestry is a Forest Management Unit where the management and use of forest and tree resources is controlled by local communities.

Natural Forests for Conservation Purposes

Forest 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 Forest 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."

Plantations (FSC Principles and Criteria Definition)

Forest areas lacking most of the principal characteristics and key elements of native ecosystems as defined by FSC-approved national and regional standards of forest stewardship, which result from the human activities of either planting, sowing or intensive silvicultural treatments.

Applicability note: This category remains the same as the current FSC Plantation definition.

SLIMF

A forest management unit shall qualify as a 'SLIMF' if it is either a 'small' forest management unit (as defined in FSC-STD-01-003 SLIMF Eligibility Criteria) OR managed as a 'low intensity' forest management unit (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 certification body or certificate holder according to contractual arrangements.



Traders

A person or legal entity that buys and sells timber and/or other timber and non timber forest products and who takes legal and/or physical possession of the goods⁽⁶⁾. 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 set⁷.

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.

⁶ According to FSC policy, traders/brokers need to have a valid COC certificate in order to make any claims related to FSC certified products.

⁷ 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.