



Policy

# ANNUAL ADMINISTRATION FEE (AAF)

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## Version control

<b>Publication date:</b>	27 March 2023	
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Version	Description	Date
<b>V2-2</b>	Version 2-2 of this Policy is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Adjustment of the AAF for COC CHs 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.</li> <li>- Incorporation of clarifications from the AAF FAQ (as feasible).</li> <li>- Changes to the AAF charging process to reflect FSC's current practice.</li> <li>- Elimination of the refunding process as quarterly calculations in the actual year now account for changes in the certificate portfolio.</li> </ul>	01 October 2015
<b>V2-3 and V2-4</b>	Version 2-3 and 2-4 replace V2-2 which has been withdrawn before the effective date due to a mistake in the project certification clause and typos in the AAF figures.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 Class has also been revised to incorporate latest legal advice.	02 October 2015 23 October 2015

<b>V2-5</b>	Version 2-5 is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Adjustment of the AAF for COC CHs 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.</li> <li>- Incorporation of clarifications from the AAF FAQ and AAF interpretations.</li> <li>- 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).</li> </ul>	01 October 2016
<b>V2-6</b>	Version 2-6 is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Adjustment of the AAF for COC CHs 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.</li> </ul>	01 October 2017
<b>V2-7</b>	Version 2-7 is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Adjustment of the AAF for COC CHs 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.</li> <li>- Minor revision of clause 3.1.1 to eliminate redundancies and to provide clarity regarding the 'turnover' concept in the context of this Policy.</li> </ul>	01 October 2018
<b>V2-8</b>	Version 2-8 is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Adjustment of the AAF for COC CHs 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.</li> </ul>	01 October 2019
<b>V2-9</b>	Version 2-9 is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Revision of clause 3.4 to incorporate the AAF calculation for multiple projects.</li> <li>- Advice Note (29 July 2021 – 31 December 2021): clarification of data collection requirements related to the annual turnover of forest products.</li> </ul>	17 December 2020
<b>V3-0</b>	- Revision of pricing model	16 August 2021

- In the new AAF pricing model (effective from 1 July 2022) there is no longer a distinction between the AAF chargeable for single site and multi-site certification, and the number of AAF Classes is reduced from 11 to 7.
  - The new AAF pricing model consists of a Base Fee plus a Variable Fee which is charged only upon the Excess Turnover which exceeds the AAF Class Minimum Turnover. This Variable Fee is expressed as the AAF due in USD per million USD of Excess Turnover. The index for the calculation continues to be the Forest Products Turnover.
- Clarification of data collection requirements.
  - Clarification of terminology, for example COC enterprises which do not qualify as Traders shall now be referred to as Processors.
  - Clarification of obligations.
  - Numerical parameters for calculating AAF moved to separate Annexes.

<b>V3-1</b>	Version 3-1 replaces Version 3-0 which has been withdrawn before the effective date to make a correction in the Forest Management Group Certification clause (4.4b).	23 August 2021
<b>V3-2</b>	Version 3-2 is the result of a minor revision, implementing the following changes: <ul style="list-style-type: none"> <li>- Removing all reference to the old AAF pricing model.</li> <li>- Incorporation of clarifications from the AAF FAQ and AAF interpretations (as feasible).</li> <li>- Adjustment of the AAF for COC CHs by the 2021 global inflation rate of 3.4% (International Monetary Fund) as per clause 0. New AAF figures are rounded up to the next whole number.</li> </ul>	12 September 2022
<b>V3-3</b>	Version 3-3 implements the following changes: <ul style="list-style-type: none"> <li>- Updated scope section to reflect that the AAF Policy is now part of the FSC Normative Framework.</li> <li>- Editorial corrections to make relevant requirements more clear.</li> </ul>	27 March 2023

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# INTRODUCTION

This policy outlines the principles for calculating and administering the Annual Administration Fee (AAF) for FSC accredited certification bodies (CBs).

The purpose of the AAF is to support the services provided by FSC to uphold the core operations of the FSC certification system, both at national and international level, including among others:

- a) FSC's multi-stakeholder governance mechanisms;
- b) Development of policies and standards;
- c) Marketing and market development activities;
- d) Trademark protection;
- e) Communication and dissemination of information; and
- f) Decentralized support structures in key countries or regions.

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## A. SCOPE

This policy is applicable to FSC and to all certification bodies operating programs for the certification of forest management and chain of custody (including controlled wood) against FSC standards. All aspects of this policy are considered normative, including the scope, effective and validity dates, references, terms and definitions, footnotes, graphics, tables and annexes, unless otherwise stated. Notes and examples are not considered normative.

As part of the FSC normative framework, this policy is subject to the review and revision requirements of <FSC-PRO-01-001 V4-0 The Development and Revision of FSC Requirements>. This policy is reviewed annually (every calendar year) and, if necessary, revised to remain consistent with any new FSC strategy and/or policy.

FSC reserves the right to adjust the AAF annually according to the global inflation rate of the previous year.

## B. REFERENCES

The following documents are indispensable relevant for the application of this document.

For references without a version number, the latest version of the referenced document (including any amendments) applies:

<b>FSC-STD-20-001</b>	General requirements for FSC accredited certification bodies
<b>FSC-STD-40-004a</b>	FSC Product Classification

## C. TERMS AND DEFINITIONS

For the purposes of this document, the terms and definitions included in <FSC-STD-01-002 FSC Glossary of Terms> and the following apply:

**Annual Administration Fee (AAF):** The AAF is the fee charged by FSC Global Development (FSC GD) to accredited certification bodies (CBs) calculated on the basis of the respective certificate holder (CH) portfolio. The purpose of the fee is to support the service provided by FSC GD to uphold the FSC certification scheme.

**Annual Administration Fee Class (AAF Class):** The AAF Class is a class used to compute the AAF due for Processors and/or Traders holding COC certification. It is determined according to the CH's Forest Products Turnover. The AAF Class can be found by looking up the CH's Forest Products Turnover in the Table 2 in Annex 2.

**AAF Class Minimum Turnover:** The AAF Class Minimum Turnover is the minimum Forest Products Turnover for a CH to qualify for their AAF Class (refer to the calculation steps and Table 2 in Annex 2 for more information).

**Base Fee:** The Base Fee is the minimum AAF charged for a certification in each AAF Class (refer to the calculation steps and Table 2 in Annex 2 for more information).

**Excess Turnover:** Excess Turnover is the amount by which the CH's Forest Products Turnover exceeds the AAF Class Minimum Turnover (refer to the calculation steps and Table 2 in Annex 2 for more information).



**FSC Certification Database:** The FSC Certification Database is the online database provided and administered by FSC to track FSC certification. Data on individual certification are entered and maintained by the CBs.

**Forest Products Turnover:**

- a) The Revenue of all certified and uncertified forest products; and
- b) The Revenue of all products containing wood or fibre, and all products containing non-timber forest components, including forest-based reclaimed materials regardless of the percentage.

NOTE 1: Forest products refers to wood products, pulp and paper products, and non-timber forest products as per <FSC-STD-40-004a FSC Product Classification>.

NOTE 2: Forest Products Turnover does not refer to 100% non-forest products that companies might produce.

NOTE 3: Forest Products Turnover does not refer to related services that a CH may provide to another organization. The related services a CH receives under an outsourcing agreement, that contribute to adding value of the product are already inherently included in the Forest Products Turnover figure and do not need to be incorporated in addition to the value.

**Minimum AAF:** The Minimum AAF is the minimum amount of AAF that is charged on Processor or Trader certification.

**Natural Forest – Community Forest:** 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).

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) (Source: adapted from <FSC-STD-01-002 FSC Glossary of Terms>).

**Natural Forest – Conservation Purposes:** Forest areas [Management Units] with many of the principal characteristics and key elements of native ecosystems, such as complexity, structure and biological diversity, including soil characteristics, flora and fauna, in which all or almost all the trees are native

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<sup>1</sup> See FSC-STD-01-001 V5-2 for the definition of "Indigenous Peoples" and "traditional peoples".

species, not classified as Plantations, and that have as management objective the conservation of natural forests, with clear conservation, and no commercial, objectives (Source: adapted from <FSC-STD-01-001 V5-2 FSC Principles and Criteria for Forest Stewardship Standard>).

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

**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 (Source: adapted from <FSC-STD-01-001 V5-2 FSC Principles and Criteria for Forest Stewardship Standard>).

**Processing Enterprise/ Processor:** A Processing Entity or Processor is a person or legal entity that that buys, takes legal possession of and sells wood and/or non-timber forest products after conducting some transformation of these products, either directly or through outsourcing. The transformation of products could include manufacture and/or changing the composition (e.g. mixing or adding forest-based materials to the product) and/or changing the physical integrity (e.g. re-packaging, re-labelling and printing). For the purposes of this policy, an individual enterprise that is conducting processing activities or processing and trading activities is treated as Processing Enterprise/Processor. Multi-site CHs conducting both processing and trading activities are treated as Processors.

**Revenue:** Revenue means the 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. This is also less intracompany sales (i.e. after any consolidation where a financial group is existing). Revenue refers to the most recently completed fiscal year and is the exact number to the nearest whole USD.

NOTE 1: The Revenue figure includes the Revenue from all certified and uncertified products that an organization produces irrespective of the fact whether they include forest-based material or not.

NOTE 2: Intracompany sales relate to sales within one specific certification only, including the sales within a multi-site certification. Sales from one CH to another CH (even if within the same corporate group) and sales made within a group between group members are not considered intracompany.

**Small or Low Intensity Managed Forest (SLIMF):** A SLIMF is a forest management unit which meets specific FSC requirements related to size and/or intensity as defined in <FSC-STD-01-003 SLIMF Eligibility Criteria>.

**Suspension:** Temporary invalidation of the FSC certification for all or part of the specified scope of attestation (Source: <FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies>).

**Taxes:** Taxes means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, imposed by the country of the registered office of the CB or any political subdivision or taxing authority thereof or therein or by any taxing authority in any jurisdiction from or through which the CB effects any payment under this policy.

**Termination:** Revocation or cancellation of the certification agreement by the CB or the client according to contractual arrangements (Source: <FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies>).

**Trader:** A Trader is 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

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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.

products, either directly or through outsourcing (Source: <FSC-STD-40-004 V3-1 Chain of Custody Certification>). For clarification, Trader can be a single or multi-site CH. For the purposes of this policy, an individual enterprise that is conducting both processing and trading activities is treated as Processing Enterprise/Processor. Multi-site CHs conducting both processing and trading activities are treated as Processors.

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

**Transfer:** Transfer means moving the responsibility for maintaining an active FSC certification from one CB to another (Source: adapted from <FSC-PRO-20-003 Transfer of FSC Certificates and License Agreements>).

**Variable Fee:** A Variable Fee is the amount of additional AAF charged, over and above the Base Fee, based on the Excess Turnover for that CH in that AAF Class, expressed as the AAF due in USD per million USD of Excess Turnover (refer to the calculation steps and Table 2 in Annex 2 for more information).

**Withdrawal:** Revocation or cancellation of the FSC certification (Source: <FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies>).

#### **Verbal forms for the expression of provisions:**

[Adapted from ISO/IEC Directives Part 2: Rules for the structure and drafting of International Standards]

“shall”:  
indicates requirements strictly to be followed in order to conform with the standard.

“should”:  
indicates that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required. A ‘should requirement’ can be met in an equivalent way provided this can be demonstrated and justified.

“may”:  
indicates a course of action permissible within the limits of the document.

“can”:  
is used for statements of possibility and capability, whether material, physical or causal.

## **D. ABBREVIATIONS**

<b>AAF</b>	Annual Administration Fee
<b>CB</b>	FSC accredited certification body
<b>CBs</b>	FSC accredited certification bodies
<b>CH</b>	Certificate holder
<b>CHs</b>	Certificate holders
<b>FSC</b>	Forest Stewardship Council

## 1. GENERAL PRINCIPLES

- 1.1 FSC calculates and invoices CBs as per the information provided by CBs in the FSC Certification Database on the determination dates specified in Table 3, Annex 3.
- 1.2 The AAF invoices are calculated on a quarterly basis by dividing the final result by four. The quarterly calculation allows for the AAF for each quarter to be adjusted based on Terminations, Withdrawals, Transfers, new certification and changes in the certified area, Forest Products Turnover or other necessary information according to Clause 2.4.
- 1.3 AAF invoices are payable within two (2) months of the invoice date. Overdue accounts on AAF invoices are 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, as specified in Table 4 Annex 3.

NOTE: If an error in the invoice to CBs is detected and confirmed by FSC after internal review, the adjustment will apply to the next respective AAF invoice (i.e. if an error is detected and confirmed related to the Q3 AAF invoice in August, the adjustment will be applied by FSC to the Q4 AAF invoice issued at the start of November).

- 1.4 In case of suspension, the certification is subject to payment of the AAF.
- 1.5 In case of transfer, 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. It is the responsibility of both CBs to ensure the information related to the AAF is updated in the FSC Certification Database prior to the AAF determination date.
- 1.6 In case of termination, FSC does not charge AAF from the quarter following the termination. The same applies for withdrawal.

## 2. OBLIGATIONS FOR CERTIFICATION BODIES

- 2.1 CBs shall pay the AAF as calculated and invoiced by FSC (see Sections 4, 5 and 6). All fees shall be paid free and clear of and without deduction for any and all Taxes. If any Taxes shall be required by law to be deducted from or in respect of any sum payable hereunder to FSC:

- a) The sum payable by the CB shall be increased as may be necessary so that after making all required deductions FSC shall receive an amount equal to the sum it would have received had no such deductions been made; and
- b) The CB shall pay the full amount deducted from the AAF to the relevant taxing authority in accordance with applicable law.

NOTE: Payment of the AAF to FSC is independent of collections by CBs from CHs. Failure of a CB to collect fees from CHs does not affect the obligation of payment of the AAF to FSC or for any deviation to the standard payment terms as per section 1.

- 2.2 For all types of FSC certification, CBs shall collect from CHs, verify and enter into the FSC Certification Database the necessary information for calculating the AAF at the following times:
  - a) When registering a certification for the first time; and
  - b) When updating the FSC Certification Database – as a minimum the data shall be verified each calendar year after the audit. See Clause 2.4 for a list of the critical fields required for the AAF calculation and verification.
- 2.3 For all types of multi-site and group certification, in addition to the requirements as in Clause 2.2, CBs shall collect from CHs, verify and enter into the FSC Certification Database the necessary information for calculating the AAF when the group entity/ Central Office reports that a group member or participating site has been added or removed.

- a) CB shall assess the reported aggregated Forest Products Turnover for the whole group or multi-site certification for its overall plausibility. This shall include a plausibility assessment of the individual Forest Products Turnover figures of the sample of Participating Sites audited in the annual evaluation.
- b) CBs shall verify the Forest Products Turnover for new Participating Sites at the time of the next audit, unless the CB is in doubt about the accuracy and plausibility of any reported changes of the Forest Products Turnover in-between audits.

2.4 Necessary information in the aforementioned context shall be entered by CBs per individual certification in the FSC Certification Database is, but not limited to:

- a) For all types of FSC certification, the type of FSC certification;
- b) For FM, FM/COC, and CW/FM certification, the area data and the category of Forest Management according to Annex 1;
- c) For single and multi-site COC CHs, start and end date of most recently completed fiscal year;

NOTE 1: The CB is required to update the fiscal year data each calendar year. In-between the CB's annual updates, the date of the fiscal period-end as shown in the FSC Certification Database may be more than one year ago.

NOTE 2: Fiscal year is usually 12 months but can be shorter or longer than 12 months.

EXAMPLE: The organization has officially changed its fiscal year end date for its local regulatory filings, such as from December to March, and at the point of AAF data collection, the organization is currently within a one-off transitional fiscal period that is longer than 12 months. The most recent available data is used until newer data becomes available at the point of data collection.

- d) For single and multi-site COC CHs, the Forest Products Turnover;
- e) For single and multi-site COC CHs, the Revenue (unless the exception as per Clause 2.10 applies);
- f) For one-time and multiple projects certified under FSC-STD-40-006, the overall cost of each project that is finalized;
  - i. The CB shall obtain the individual cost for each project.
  - ii. For multiple projects under continuous project certification, aggregated project costs shall be entered in the FSC Certification Database in the field labelled Total Project(s) Cost (USD) in the respective quarter.
  - iii. An excel document showing the following shall be uploaded as an attachment (a predefined template is not provided to CBs for this):
    - a. whether the project is certified individually or under continuous project certification (i.e. multiple projects);
    - b. the total cost for each project in the respective quarter;
    - c. the total AAF (based on the total aggregated project costs) in the respective quarter;
    - d. for multi-sites, a list of the participating sites, specifying the aggregated costs for project certification per legal entity in the respective quarter;
    - e. for groups, a list of the members, specifying the aggregated costs for project certification per legal entity in the respective quarter.
  - iv. The Project Cost shall be entered in USD. If the cost is provided in a currency other than USD then the conversion date is the date at the end of the quarter.
- g) For projects certified under FSC-STD-40-004, the Forest Products Turnover as for other products certified under FSC-STD-40-004;

- h) For FM, FM/COC, and CW/FM group certification, the number of group members, the area data and the category of Annex 1;
  - i) For COC group certification, the number of group members, the applicable Forest Products Turnover (i.e., for the group as a whole; or for groups with Processors and Traders the aggregated Forest Products Turnover for the respective Processors, as well as Traders), the Revenue and the fiscal year date for the Central Office only;
  - j) In cases where processing facilities have been included in the scope of a joint FM/COC certification, necessary information for these processing facilities is defined as outlined in c) - e) (above).
- 2.5 For a newly founded company that has not yet completed a full fiscal year and therefore cannot provide the required Forest Products Turnover figure to determine the AAF, the CB shall enter USD '100,000' in the Forest Products Turnover field in the FSC Certification Database and leave the Revenue field blank. This shall be done prior to the applicable determination date for the respective quarter as per Annex 3 Table 3. The Forest Products Turnover shall be updated in the following annual audit.
- 2.6 In the case of an existing company that has been purchased by another legal entity and has not yet completed the first fiscal year, CBs shall enter USD '100,000' in the Forest Products Turnover field in the FSC Certification Database and leave the Revenue field blank. This shall be done prior to the applicable determination date for the respective quarter as per Annex 3 Table 3. The Forest Products Turnover shall be updated in the following annual audit.
- 2.7 For newly certified companies CBs shall enter the exact Forest Products Turnover unless Clause 2.5 or Clause 2.6 apply.
- 2.8 CBs shall enter the overall purchasing cost in the Trader Forest Products Turnover field on the FSC Certification Database for the cases where Clause 5.6.1 applies.
- 2.9 If a CB is unable to collect any data according to Clause 2.4 a) to j), the CB shall inform FSC without undue delay.
- 2.10 The CB may waive the requirement to collect and enter the exact Revenue figure into the FSC Certification Database, if there is clear and convincing evidence that the Forest Products Turnover is accurate and has been obtained through a proven reliable process.
- a) Clear and convincing evidence shall be understood in the same way as in <ADVICE-40-004-18 V2-0 Addressing false FSC claims on products/projects containing material from unacceptable sources>.
  - b) The CB shall enter zero '0' if the requirement to enter Revenue figure in the FSC Certification Database is waived.
- 2.11 If the Forest Products Turnover and/or Revenue entered in the FSC Certification Database for a fiscal year turns out to be misstated, in addition to updating the FSC Certification Database, the CB shall inform FSC via email and attach supporting documents without undue delay.
- 2.12 If a CB has detected a wrong data entry in to the FSC Certification Database, the CB shall report such wrong data input to FSC when detected.
- 2.13 To verify the necessary information according to Clause 2.4, the CB should determine their audit procedure for data verification given the specific circumstances of their CHs.
- 2.14 To verify especially the Forest Products Turnover and to reduce the risk of misunderstanding by the CH, CBs may ask CHs the following questions:
- a) Who is the right person to talk to about the Revenue of your company (usually senior management or accounting personnel)?
  - b) What is the organization's actual Revenue?
  - c) Which currency is that in?



- d) Which financial period was that for? Was that for a full year? What was the period end date?
  - e) Is that Revenue entirely wood fibre products? Do you sell anything that is not wood fibre?
  - f) What is your Forest Products Turnover?
  - g) Does that exclude sales taxes, VAT and any levies?
- 2.15 For CHs where the Revenue is mainly consisting of Forest Products Turnover, the amount declared by the CH should be analysed by referring to the overall Revenue to assess for reasonableness.
- NOTE: If a CH sells almost 100% forest products and therefore the difference between Forest Products Turnover and Revenue is non-material for the AAF, the CB may enter the same figure in the FSC Certification Database for both the Forest Products Turnover and Revenue field. However, a smaller Forest Products Turnover may be entered if this can be reliably determined.
- 2.16 For CHs where the Revenue consists of a mix of products (i.e. forest and non-forest products), the amount declared by the CH should be analysed by referring to the management accounts showing financial general ledger coding and/or other supporting documentation.
- 2.17 For CHs where the Forest Products Turnover generates no Revenue, the amount declared by the CH (in this case the purchasing cost, as per Clause 5.6), should be analysed by referring to the management accounts and/or inventory records and/or external invoices.
- 2.18 The CB shall enter zero '0' if the Forest Products Turnover figure is in fact '0'. Leaving the field blank signals that the data is still to be evaluated and potentially entered later.
- 2.19 The Forest Products Turnover shall be assessed for overall plausibility. For instance, by considering the number of employees, the company size and the volume of wood products sold/purchased.
- 2.20 The CB shall check the converted amount of the Forest Products Turnover if the original currency is not USD. The conversion rate upon entering the data into the FSC Certification Database is the respective rate on the date of the CH's fiscal year-end as per the mid-market rate on the currency converter.
- 2.21 CBs shall not rely on oral or written self-declarations alone. A self-declaration may be used as supporting documentation, however it shall be assessed by the CB for reasonableness, plausibility and, as far as possible, for accuracy.
- NOTE: A Central Office of a COC Multi-Site or Group is not required to collect written self-declarations of their individual sites/group members.
- 2.22 Any formal self-declaration shall:
- a) State that the information is correct to the best of the CH's knowledge;
  - b) Be in writing (and not oral);
  - c) Be personally, or electronically (the threshold of advanced electronic signature according to Article 3 no. 11 and Article 26 eIDAS regulation applies here) signed by an authorized individual (such as a legal representative or a designated accountant).
- 2.23 A signed statement from a reputable professional services firm is acceptable as evidence. The statement shall include the name of the Chartered Accountant or auditor, as well as the organization.
- NOTE: In such a case the CB is not required to investigate further the validity of the numbers stated.
- 2.24 The financial data published by a reputable risk management and scoring company may be used as supporting documentation:
- a) In the case of CHs with a 100% forest-based business where the Revenue reported by a reputable risk management and scoring company represents the Forest Products Turnover.

- b) In the case of CHs with a business that is not 100% forest-based, the Revenue reported by a reputable risk management and scoring company shall be used for the Revenue.

NOTE: If a range for the Forest Products Turnover can be determined from a reputable risk management and scoring company, the upper value is to be used.

- 2.25 CBs shall store the records of the approach used to calculate Forest Products Turnover, rationale for the approach and details of supporting documentation assessed, including key figures.

NOTE: It is not compulsory for CBs to store a copy of the supporting documentation itself. Examples of supporting documentation for the Forest Products Turnover include sales tax filings, income tax records and filings, accounting records, financial statements, a declaration from an accountancy firm and management accounts showing financial general ledger coding.

- 2.26 CBs shall store the records and have them readily accessible for a period of at least ten (10) years starting with the next calendar year after which the records have been created. FSC and/or ASI may request to view such information.

- 2.27 CBs shall ensure compliance to data protection regulations wherever applicable and establish a procedure as per Clause 2.4.2 of <FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies> to “define the controls needed for the identification, transport, transmission, storage, protection, retrieval and disposition of its records related to the implementation of FSC requirements, including controls to safeguard confidentiality”.

NOTE: FSC adheres to General Data Protection Regulation (GDPR) regulations and any data stored by FSC (including the Forest Products Turnover and Revenue figures) is handled in a compliant manner.

- 2.28 In case of a Transfer, the previous CB audit report should be used to aid the validation of any changes in the necessary information according to Clause 2.4.

### **3. CONSEQUENCES FOR NON-CONFORMITY**

- 3.1 In the case that a CB does not update the FSC Certification Database according to Section 2, FSC will calculate the AAF for the respective CH in the portfolio of the CB by using the total Revenue or the mid-point of one AAF Class higher.

- 3.2 In cases where the reported Forest Products Turnover is later changed to a higher figure (e.g. as a result of a validation during an audit), FSC may choose to charge the additional AAF if the new Forest Products Turnover is at least USD 10,000 higher than the previous one. FSC will clearly present the additional charge in the invoice provided to CBs, as well as the supporting document showing the breakdown. This will be communicated and invoiced in the following quarterly invoice; the determination dates are presented in Annex 3.

- 3.3 FSC reserves the right to charge interest at a rate of 1% per month for additional charges levied as specified in Clause 3.2.

- 3.4 If FSC detects the entry of wrong Forest Products Turnover to FSC’s disadvantage, FSC reserves the right to charge the additional AAF or to claim further damages that FSC may have suffered because of the CB’s wrong data input.

- 3.5 In cases where the reported Forest Products Turnover is later changed to a lower figure, FSC will not issue credit notes.

### **4. CALCULATING THE AAF FOR FOREST MANAGEMENT (FM), FOREST MANAGEMENT/ CHAIN OF CUSTODY (FM/COC) AND**



## CONTROLLED WOOD/FOREST MANAGEMENT (CW/FM) CERTIFICATION

- 4.1 Calculation of the AAF for FM, FM/COC and CW/FM certification 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 certification and an additional per hectare fee is calculated on top of this rate (see Table 1 in Annex 1).

NOTE 1: Different per hectare rates are used for the different categories of Forest Management.

NOTE 2: Certification where all Management Units within the scope qualify as SLIMF and/or Community Forest is completely free of charge, i.e. their area is not included in the per ha calculation and no fixed fee per certification rate is applied.

- 4.2 In cases where processing facilities have exceptionally been included in the scope of a joint FM/COC certification according to INT-STD-20-007\_19, a separate AAF for the processing facility is calculated according to the COC fee structure in Clause 5.2, referring to Table 2 for the respective fees for Processors.
- 4.3 For the calculation of the AAF, CBs can consider Conservation zones and protection 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 are included in the relevant forest type AAF category.
- 4.4 For group FM, FM/COC and CW/FM certification, the AAF is based on two components:
- a) A per hectare fee based on the sum of individual AAF calculated for each group member according to its corresponding category of Forest Management (see Table 1 in Annex 1). Management Units qualifying as SLIMF or Community Forest are free of charge, i.e. the area will not be included in the per ha calculation.
  - b) A USD 10 fixed fee per certification. Group certification where all Management Units within the scope qualify as SLIMF and/or Community Forest is completely free of charge.

## 5. CALCULATING THE AAF FOR CHAIN OF CUSTODY (COC)

### 5.1 General principles

- 5.1.1 Calculation of the AAF for COC certification is based on the Forest Products Turnover.

### 5.2 AAF calculation for Processing Enterprises/Processors (single and multi-site certification)

- 5.2.1 For single and multi-site Processors, a fee is calculated based on the aggregated Forest Products Turnover of the site(s) included in the scope of certification according to the steps set out in Annex 2.

### 5.3 AAF calculation for Traders (single and multi-site certification)

- 5.3.1 For single and multi-site Traders, a fee is calculated based on the aggregated Forest Products Turnover of the site(s) included in the scope of certification according to the steps set out in Annex 2.

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<sup>3</sup> The relevant forest management category for each certified Management Unit needs to be determined and each certification needs to be classified into one of these categories, by the CBs. See Section C, above, for more information on definitions.

## 5.4 Group COC certification

- 5.4.1 Group COC certification including only Processors is charged an AAF based on two components:
- An AAF corresponding to the aggregated Forest Products Turnover of all members, as calculated for single site COC CHs according to 5.2.1. This AAF is subject to the Minimum AAF for COC certification specified in Annex 2.
  - A fixed fee of USD 20 per year for each group member.
- 5.4.2 Group COC certification including only Traders is charged an AAF based on two components:
- An AAF corresponding to the aggregated Forest Products Turnover of all members, as calculated for single Trader certification according to Clause 5.3.1. This AAF is subject to the Minimum AAF for COC certification specified in Annex 2.
  - A fixed fee of USD 20 per year for each group member.
- 5.4.3 For group COC certification including both Traders and Processors in the scope, an AAF is charged based on two components:
- An AAF corresponding to the aggregated Forest Products Turnover of all Processing Enterprises in the group (calculated as described in Clause 5.2 above), plus a fee corresponding to the aggregated Forest Products Turnover of all Traders in the group (calculated as described in Clause 5.3 above). The corresponding steps and Table 2 in Annex 2 are used. This AAF is subject to the Minimum AAF for COC certification specified in Annex 2, with the Minimum AAF applied only if the AAF due on the Processors' aggregated Forest Products Turnover plus the AAF due on the Traders' aggregated Forest Products Turnover is less than the stated Minimum AAF.
  - A fixed fee of USD 20 per year for each group member.

## 5.5 AAF calculation for projects

- 5.5.1 The AAF for one-time projects certified under <FSC-STD-40-006 FSC Standard for Project Certification> is charged on a per-project-basis and follows the same fee schedule as the AAF for single site Traders, with the overall cost of each project being considered instead of the Forest Products Turnover.
- 5.5.2 For multiple projects under continuous project certification certified under <FSC-STD-40-006 FSC Standard for Project Certification>, the aggregated overall costs are used to calculate the AAF in the respective quarter. The AAF follows the same fee schedule as the AAF for single site Traders.
- NOTE: The AAF for one-time and multiple projects is due only once for each project, in the quarter following the registration in the FSC Certification Database.
- 5.5.3 For projects certified under <FSC-STD-40-004 Chain of Custody Certification>, the Forest Products Turnover is used to calculate the AAF. This includes all projects independent of whether a project claim is made or not.

## 5.6 AAF calculation for COC CH that do not have a Forest Products Turnover

- 5.6.1 COC CHs that do not sell certified material or products (e.g. free given away of certified catalogues and certified packaging for products they sell) do not have a Forest Products Turnover to base the AAF calculation on according to Clause 5.1. AAF for such CHs is calculated based on the annual

overall purchasing cost of certified material and products instead of Forest Products Turnover and it follows the same fee schedule as the AAF for single site Traders.

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

## 6. INVOICING AND PAYMENT

### CBs to CHs

- 6.1 CBs should embed the AAF into their own systems in order to minimize administrative costs.
- 6.2 CBs shall be responsible for their own invoicing arrangements and collections independent of FSC.
- 6.3 CBs shall address the queries and disputes from CHs related to invoicing directly. If a CH feels a CB has not addressed their queries to a satisfactory level, the CH shall follow the CB's dispute resolution procedure.

NOTE 1: The CBs may contact FSC for enquiries related to the AAF Policy by following <[PSU-PRO-10-201 PSU Enquiry Procedure](#)>.

NOTE 2: If the CH believes all options with the CB have been exhausted, the CH may file a complaint against a CB with ASI according to [ASI-PRO-20-104 Complaints Procedure](#).

- 6.4 CBs shall identify the AAF on their invoices to CHs as calculated for that CH according to this policy. Any additional fees, rates, conversions or charges shall be presented separately from the AAF.
- 6.5 If CBs are sending out invoices to their CHs in a currency other than USD, they shall apply the conversion mid-market rate at the respective issue date of the invoice. CBs should use the currency converter provided by OANDA ([www.oanda.com](http://www.oanda.com)) for this calculation. If there is a small difference depending on the day the conversion is carried out, even though the fiscal year is correctly selected, CBs shall enter the figure that is first encountered on the currency converter. Exchange rate variations of <0.1% are considered immaterial and are acceptable for verification purposes.
- 6.6 If using OANDA, CBs should select the currency and dates from the following page: <https://www1.oanda.com/currency/converter/>.

NOTE: There is no need for CBs to try to access other areas of the OANDA website regarding historical rates where premium rated data is provided and therefore a payment to access this is required. For the purposes of the AAF, using the regular currency converter page suffices.

- 6.7 If it is not possible to access OANDA in a specific country due to internet restrictions, the figure from the National Bank may instead be used. For example, for Chinese CHs, the following website shall be used: <http://www.safe.gov.cn/safe/rmbhlzjj/index.html>

## 7. PREVAILING CLAUSE

- 7.1 In case there is any conflict between this AAF Policy and other FSC normative requirements or FSC Certification Database requirements, the provisions in this policy shall prevail.

## Annex 1 AAF Table of Forest Management Categories

Table 1. AAF for FM, FM/COC and CW/FM certification (in USD)

Categories of Forest Management	Rate Per Hectare (\$)
SLIMF	0
Natural Forest - Community Forest	0
Natural Forest - Conservation purposes	0.0001
Natural Forest - Tropical	0.0020
Natural Forest - Boreal	0.0035
Natural Forest - Temperate	0.0045
Plantations	0.0200

## Annex 2 AAF Calculation Tables for COC certification

1. The following steps and table shall be applicable to the determination of AAF chargeable on COC certification (for single site certification omit steps a and b):

- a) Determine the exact Forest Products Turnover of each individual site.
- b) Calculate the aggregated Forest Products Turnover for all sites by adding together the values in step a.
- c) Look up the AAF Class and AAF Class Minimum Turnover in Table 2 below, according to the Forest Products Turnover (Column 2). For example, AAF Class Minimum Turnover for Class 1 is '0', for Class 2 is 1 Million USD and so on.
- d) Derive the Excess Turnover as follows:

$$\text{Excess Turnover} = \text{Forest Products Turnover} - \text{AAF Class Minimum Turnover}$$

- e) Look up the Base Fee and Variable Fee in Table 2 below according to whether the certification is for a Processor or Trader.
- f) Use the Base Fee, Variable Fee and Excess Turnover values to calculate the final AAF using the following formula:

$$\text{AAF} = \text{Base Fee} + \left( \frac{\text{Excess Turnover}}{\$1,000,000} \times \text{Variable Fee} \right)$$

NOTE: The value of \$1,000,000 in the formula is a fixed number applicable to all AAF Classes and is not linked to the AAF Class Minimum Turnover.

- g) Round up the final AAF to the nearest whole number (e.g. 99.20 USD to 100 USD). If this final amount is below the Minimum AAF specified below in Clause 2 then the Minimum AAF figure will be charged.

Table 2. AAF for Processor and Trader certification (in USD). Variable fees charged per USD 1 million in Forest Products Turnover above the minimum within that Class.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Class	Forest Products Turnover	Processor Base (USD)	Processor Variable (USD)	Trader Base (USD)	Trader Variable (USD)
Class 1	0 – 1 Million	0.00	568.70	0.00	170.61
Class 2	> 1 – 5 Million	569.00	186.12	171.00	55.84
Class 3	> 5 – 25 Million	1,314.00	77.55	395.00	23.27
Class 4	> 25 – 100 Million	2,865.00	31.02	861.00	9.31
Class 5	> 100 – 500 Million	5,192.00	18.61	1,560.00	5.58
Class 6	> 500 – 2,000 Million	12,636.00	15.51	3,792.00	4.65
Class 7	> 2,000 Million	35,901.00	12.93	10,767.00	3.88

EXAMPLE: A Processor with a Forest Products Turnover of USD 6,234,567 would fall into AAF Class 3 (USD > 5 – 25 Million) for which the base AAF is USD 1,314 and the Variable Fee is USD 77.55 per USD million. The final AAF would thus be calculated in two steps as follows:

$$\text{Excess Turnover} = \$6,234,567 - \$5,000,000 = \$1,234,567$$

$$\text{AAF} = \$1,314 + \left( \frac{\$1,234,567}{\$1,000,000} \times \$77.55 \right) = \$1,314 + \$95.74 = \$1,410$$

2. The minimum AAF is USD 83 per year for Processor and Trader certification.

## Annex 3 AAF Invoicing Cycle

Table 3. AAF determination dates

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

Table 4. AAF payment schedule and discounts

Quarter	Invoice date (or first working day after)	5% discount in case of payment by	2% discount in case of payment by
1	1 February	End of February	End of March
2	1 May	End of May	End of June
3	1 August	End of August	End of September
4	1 November	End of November	End of December



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