



FSC ACCREDITATION ADMINISTRATION FEE POLICY

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1- Introduction

- ❑ The AAF is an annual fee charged by FSC to accredited certification bodies calculated on a “per certificate” basis.
- ❑ Certification bodies have jointly agreed to communicate the AAF to their clients consistently with an explicit statement on their invoices.¹
- ❑ The FSC AAF has been developed to be consistent with FSC global strategies, policies and priorities and will be periodically reviewed and up-dated to remain consistent with any new FSC strategy and/or policy.
- ❑ The AAF calculation for FM/COC certificates including primary or secondary processing facilities remains unchanged.

¹ FSC Certification Bodies meeting, 28 January 2004, Bonn, Germany



2 Accreditation Administration Fee for Forest Management (FM) and Forest Management / Chain of Custody (FM/COC)

2.1 Fee structure

Calculation of the AAF for the FM and FM/COC portfolio of FSC accredited certification bodies utilizes 8 different categories reflecting forest type, 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 and FM/COC Accreditation Administration Fee

Categories of Management Intensity	Per Hectare Rate (US \$)
SLIMF	0.0001
Conservation of Natural Forests	0.0001
Management for NTFP and Services	0.0005
Community Forestry	0.0010
Tropical Forests	0.0020
Boreal Forests	0.0030
Temperate Forests	0.0040
Plantations	0.0100

Where primary or secondary processing facilities are included in the scope of an FM / COC 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.

To give some concrete examples: A temperate forest 8 hectares in size would result in an annual fee of US\$ 10.03, while a community operation in Mexico managing 24,000 hectares would result in a fee of US\$ 34 and a large certified boreal forest would result in an annual fee of US\$ 5,410 for 1.8 million hectares of forests.

If a large certified boreal forest with an annual fee of US\$ 5,410 for 1.8 million hectares of forests includes in the scope of its FM/COC certificate a sawmill with an annual turnover of forest products of US\$ 50,000,000 (COC AAF Class 5) the total AAF calculation would be US\$ 5,410 + US\$ 1,400 = US\$ 6,810.

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 “conservation of natural forests”². The productive areas of such forest management units under economic and/or commercial use will be included in the relevant category of the AAF that will be calculated for these areas according to the forest type.

² See definition for “conservation of natural forests”



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.

2.2 Definitions

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. The categories presented in table 1 are defined as follows:

- **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).

- **Conservation of Natural Forests**
 - 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 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.”

- **Management for NTFP and services**
 - Forest Management Units that do not fit into the “Conservation of Natural Forests” category, where the main management objective is clearly unrelated to timber production; e.g. NTFP, Urban forestry, Eco-tourism, etc.
 - NTFP (FSC Principles and Criteria Definition): All forest products except timber, including all other materials obtained from trees such as resins and leaves, as well as any other plant and animal products.

- **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;

- **Tropical, temperate, boreal forests.**
 - The definition of these forest types follows the categories defined by the Holdridge Life Zones data set³.

³ 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



- **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. If a certified forest/forest area corresponds to the above definition the relevant fee for plantation shall be applied, independently of whether the plantation could be classified in any other category.

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.



3 – Accreditation Administration Fee for Chain of Custody (COC)

Calculation of the AAF for COC certificates has been developed using 6 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 purpose of this policy, the annual turnover refers to the most recently completed fiscal year.

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), reflecting the differences in size and production levels between certificate holders. The annual turnover of forest products and products containing wood or fiber components is expressed in US Dollars.

Table 2 – COC Accreditation Administration Fee (US \$)						
Classification of certificate holders by annual turnover	Class 1 < US \$ 200,000	Class 2 US \$ 200,001 to US \$ 1,000,000	Class 3 US \$ 1,000,001 to US \$ 5,000,000	Class 4 US \$ 5,000,001 to US\$25,000,000	Class 5 US \$ 25,000,001 to 100,000,000	Class 6 >US \$ 100,000,001
Fixed Rate	50	200	400	800	1,400	3,500

Two examples for calculating the fees:

- A certified processing company with an annual turnover of US\$ 150,000 would fall into Class 1 and would result in a fee of US\$ 50.
- A certified processing company with an annual turnover of US\$ 1,200,000 would fall into Class 3, and would result in a fee of US\$ 400.

3.1.2 The AAF for **multi-site COC certificates** will be calculated as follows:

- An overall fee corresponding to the sum of the individual fees for each legal entity certified under the multi-site COC certificate, based on each legal entity’s individual turnover for forest products and products containing wood or fiber components as per table 2 above.
- For sites contained within one legal entity an overall fee corresponding to the aggregate annual turnover of members, as calculated for single COC certificates.
- The AAF for multi-site COC certificates was revised in 2005 taking into account the revision of the FSC multi-site policy⁴, which permits multi-site chain of custody certification for organizations that are technically more than one single legal entity but that in practice operate chain of custody control under a single, integrated and centrally controlled management system.

⁴FSC Guidelines for Sampling of Multi-site Organizations for Chain of Custody Certification, Updated 1 September 2004



Three examples for calculating the fees:

- For a multi-site COC certificate with 3 individual legal entities:
 - Legal entity A, turnover 6 million US\$ (AAF = US\$ 800);
 - Legal entity B, turnover 3 million US\$ (AAF = US\$ 400);
 - Legal entity C, turnover 20 million US\$ (AAF = US\$ 800);
 - Overall AAF calculation, $800 + 400 + 800 = \underline{\text{US\$ 2,000}}$.

- For a multi-site COC certificate with 3 individual sites all in one legal entity:
 - Site A, turnover 6 million US\$;
 - Site B, turnover 3 million US\$;
 - Site C, turnover 20 million US\$;
 - Overall turnover= 29 Million, (AAF = US\$ 1,400).
 - Overall AAF calculation = US\$ 1,400

- For a multi-site COC certificate with 2 individual legal entities each with 2 sites:
 - Legal entity A
 - Site 1, turnover 2 million US\$
 - Site 2, turnover 1 million US\$
 - Overall turnover Legal entity A = 3 Million, (AAF = US\$ 400).
 - Legal entity B
 - Site 1, turnover 14 million US\$
 - Site 2, turnover 10 million US\$
 - Overall turnover Legal entity B = 24 Million, (AAF = US\$ 800).
 - Overall AAF calculation, $400 + 800 = \underline{\text{US\$ 1,200}}$.

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.
- The group COC certification policy has been designed in order to make FSC CoC certification more accessible and less costly for smaller enterprises. The AAF for Group COC has been designed to reflect this approach.

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 $25 \times \text{US\$ 10} = \text{US\$ 250}$, resulting in a total fee of US\$ 1,050.

3.2 AAF for Brokers

The AAF for Brokers takes into account that this category of enterprises can have a high turnover in relation to their profit margin. Table 3 presents the AAF categories for Brokers. For all new broker certificates from 2005, the fee has been revised for Class 5 and 6 to improve con-



sistency with the rates for Class 1-4. For certificates issued for brokers prior to January 1, 2005, the fee will be calculated as per the AAF Policy for 2004.

Table 3 – COC Accreditation Administration Fee for Brokers

Classification of certificate holders by annual turnover	Class 1 < US \$ 200,000	Class 2 US \$ 200,001 to US \$ 1,000,000	Class 3 US \$ 1,000,001 to US \$ 5,000,000	Class 4 US \$ 5,000,001 to US\$25,000,000	Class 5 US \$ 25,000,001 to 100,000,000	Class 6 >US \$ 100,000,000
Fixed Rate (US \$)	10	75	150	300	500	750

3.3 Definitions

Broker: A person or legal entity that buys and sells timber and/or other timber and non timber forest products and negotiates contracts, purchases, sales or transfers of products on behalf of third parties, and who takes legal and/or physical possession of the goods^{(5) (6)}.

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 Accreditation Administration Fees, 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.

4. Management of the AAF for 2010

- 4.1 The certification body is responsible for providing the FSC with the information related to their certificates and hence the associated AAF calculation. The FSC can then review this as appropriate.
- 4.2 During 2010, the FSC will invoice for the AAF on a quarterly basis as follows:

Quarter	Invoice date
1 st	1 February
2 nd	1 May

⁵ According to FSC policy, brokers need to have a valid COC certificate in order to make any claims related to FSC certified products.

⁶ **Agent:** A person or legal entity with the authority to act on behalf of a principal, under an express or implied agreement and in return for a fee, to negotiate or arrange contracts, purchases, sales or transfer of timber and/or other timber and non timber forest products, and who does not take legal and/or physical possession of the goods. According to the FSC policy, agents do not necessarily need to be certified. If they do opt for being certified, they are subject to the AAF policy for brokers.



3rd	1 August
4th	1 November

AAF invoices are payable within 60 days. 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.

- 4.3 Certification bodies can adjust their AAF during the year 2010 on a quarterly basis, taking into account changes reported by certificate holders or identified during certification body's monitoring activities (e.g. adjustments of certified areas for FM certificates, or changes in turnover for COC certificates). The deadlines for sending adjustments to FSC are as follows:

Adjustments from Quarter	Deadline for informing FSC
1st	15 April
2nd	15 July
3rd	15 October

- 4.4 The difference between the AAF calculated at the beginning of the year and the revised AAF will be adjusted to the following quarter(s).
- 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 for invoicing in Section 4.2 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. Only for withdrawn or terminated certificates can the AAF be adjusted.
- 4.7 **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 4.3 above and the AAF will not have to be paid for the certificate.
- 4.8 **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. If the previous certification body has had AAF invoices covering transferred certificates paid for the corresponding year, then the previous certification body is responsible for



informing FSC and the new certification body, so that the AAF can be calculated appropriately.

4.9 Definitions

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

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