



Interpretation

INTERPRETATIONS OF THE NORMATIVE FRAMEWORK

Annual Administration Fee (AAF)



Title:	Interpretations of the Normative Framework
Dates:	Approval date: not applicable
Timeframes:	Transition end date: not applicable Period of validity: until replaced or withdrawn
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Version control

Publication date:	28 September 2023	
Effective date:	not applicable	
Version	Description	Date
not applicable	-	-

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Abbreviations

AAF	Annual Administration Fee
ASI	Assurance Services International
CAR	Corrective Action Request
CB	Certification Body
CH	Certificate Holder
CoC	Chain of Custody
FPT	Forest Products Turnover

FSC-POL-20-005 V3-4 Annual Administration Fee (AAF)

Code	INT-POL-20-005_01
Requirement (s)	Forest Products Turnover (FPT)
Publication date	10 November 2021; amended 28 April 2023
<p>What is the level of rigor required for the FPT?</p> <p>100% forest-based businesses</p> <p>For CHs that are 100% forest-based businesses the calculation is very simple: the FPT equals the organization's total Revenue. Supporting documents to be viewed by the CB could be financial statements and/or tax filings, for example.</p> <p>Businesses with forest-based and non-forest-based products</p> <p>A logical starting point for the best estimation of the FPT is that the FPT value falls somewhere in a range between 100% of Revenue (all Revenue is associated with forest products) and 0% of Revenue (no Revenue is associated with forest products). Taking the total Revenue as a starting point, an organization can make a reasonable FPT estimate based on progressively excluding non-FPT from their total Revenue.</p> <p>For example, a \$100m Revenue company with five business units of \$20m each, two of which are forest products related and three of which are not, would be able to quickly estimate that the FPT is somewhere up to a maximum of \$40m. Being conservative, \$40m should be a credible estimate of FPT. Alternatively, the company could analyse the two business units in more detail to fine-tune the estimate to a lower FPT value. This analysis could include further segmentation of the two business units to exclude further non forest products. The company may further iterate through this process to reach an FPT estimate that is fair and plausible.</p> <p>CBs are required to ask CHs to provide some basic evidence to support any assertions. For instance, using the aforementioned example, the CH might state that a further 10% of the Revenue from the 2 divisions that trade in forest products are not actually forest-related, and thus the FPT should be further reduced. But if the CH cannot back up that claim, then the original calculation of FPT being 40% of Revenue should be used.</p> <p>Some CHs will have precise records of the amount of turnover derived from forest products, and for these organizations the FPT can be determined from the relevant accounting data.</p> <p>For all other CHs, some degree of estimation and professional judgement will be required to derive a reasonable estimation of FPT. Here, the overall approach should be to work from records and documentation that are available rather than creating complex analyses based on data that are not readily available.</p> <p>A good place to start is with the CH's management accounts and other relevant company documents. Alternatively, the CH may have sales recorded by geographic region: any region where there are no sales of forest products can be excluded when determining the FPT.</p> <p>A conservative approach is to be used by CBs when assessing best estimates of Revenue that is, or is not, forest related e.g. if a CH claims that 20-40% of their Revenue does not</p>	

come from forest products, then the lower figure (20%) should be used, leaving the FPT as 80% of total Revenue.

Plausibility checks will help to ensure any estimate of FPT is of the right order of magnitude. For instance, if the majority of a CH's employees work in their forest products division, but the CH claims that FPT only accounts for 30% of Revenue, then auditors should probe deeper. The calculations made to derive the FPT from the total Revenue should be clearly recorded and retained, as these may be required for inspection by FSC or its sub-contractors at a later date.

Code	INT-POL-20-005_02
Requirement (s)	Scope
Publication date	10 November 2021; amended 28 September 2023
<p>What are the consequences for the CH if the FPT/Revenue is not provided or cannot be verified?</p> <p>CB may identify a non-conformity and transform it to a CAR. The CAR shall be issued against the relevant requirements from certification agreement between CB – CH as per Clause 1.2.3 <<u>FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies</u>>.</p> <p>NOTE: This is an interim solution until FSC includes provision of FPT/Revenue in the respective normative document for CHs.</p>	

Code	INT-POL-20-005_03
Requirement (s)	Clause 2.2 b)
Publication date	28 April 2023
<p>Does a certification body still have to verify and update the necessary information in FSC certification database for calculating the AAF, if the certification body has waived a surveillance audit as per Clause 3.3 of <<u>FSC-STD-20-011 V4-2 Chain of Custody Evaluations</u>>?</p> <p>Yes, a certification body shall verify and update the data at minimum each calendar year even if the surveillance audit has been waived.</p> <p>Waving an audit and updating the FSC certification database with necessary information for calculating the AAF are two distinct and independent requirements in the FSC normative framework.</p> <p>The certification is subject to the AAF even if the audit is waived as per Clause 3.3 of <<u>FSC-STD-20-011 V4-2 Chain of Custody Evaluations</u>>.</p>	

INT-POL-20-005_04	Shall the information on CH class value still be relevant from Q3 2022 onwards?
Status	Withdrawn

Code	INT-POL-20-005_05
Requirement (s)	Clause 2.4 d) and e)
Publication date	22 September 2021
Do the FPT and Revenue for chain of custody CHs in class 1 have to be entered? Yes. This requirement applies to CHs of all classes	

Code	INT-POL-20-005_06
Requirement (s)	Clause 2.4 d)
Publication date	10 November 2021
What is the FPT for a CH that is based in country X, which is assembling furniture (sofas, chairs, etc.) from the parts supplied by the mother company in country Y? The company based in country X is acting as subcontractor and does not make any purchases or sales at all and is invoicing the mother country Y just for the assembling services provided. Zero '0' USD FPT shall be declared for the CH based in country X as the FPT definition states "Forest Products Turnover does not refer to related services". This would also apply if both companies were in the same country. <i>(This has not been changed compared to V2-9 of the AAF Policy.)</i>	

Code	INT-POL-20-005_07
Requirement (s)	Clause 2.4 d)
Publication date	28 January 2022
How should the FPT be calculated for a multi-site CH whose organizational structure consists of subsidiaries and includes internal sales? The FPT should not account the internal sales within a multi-site certification but only actual Revenues from invoicing the customers of a CH. In summary, what ultimately matters is whether sales are made within or outside the multi-site certification.	

Code	INT-POL-20-005_18
Requirement (s)	Clause 2.7
Publication date	15 June 2023
<p>What is meant by ‘newly certified companies’ in the context of providing the FPT?</p> <p>Newly certified companies refers to CHs certified after 1 July 2022.</p>	

Code	INT-POL-20-005_08
Requirement (s)	Clause 2.10
Publication date	10 December 2021; amended 28 September 2023
<p>Are there any other exceptions for when a CH does not have to provide the Revenue figure?</p> <p>With the change in alternative pathways (IN-POL-20-005_13), there are no other exception as the cap of 10 billion is withdrawn.</p>	

Code	INT-POL-20-005_09
Requirement (s)	Clause 2.20 and 6.5
Publication date	28 April 2023
<p>FSC recommends the use of OANDA as a preferred currency converter by changing ‘shall’ to a ‘should’ requirement in the Clause 6.5 of <FSC-POL-20-003 V3-3 Annual Administration Fee>. If a certification body uses another currency converter, how can it be demonstrated and justified?</p> <p>A Certification body may use another currency converter if the need for its use can be demonstrated and justified. FSC considers it a valid justification if e.g. a certification body can demonstrate that the use of another currency converter is an integral part of its internal operations.</p>	

Code	INT-POL-20-005_10
Requirement (s)	Clause 2.23
Publication date	17 February 2022

Is a document signed by a Chartered Accountant stating just the FPT amount (with no context) sufficient as supporting documentation for the FPT amount?

A signed statement from a reputable professional services firm is acceptable. In such a case the CB is not required to investigate further the validity of the numbers stated. The statement shall include the name of the Chartered Accountant or auditor, as well as the organization.

A self-declaration signed by an internal Chartered Accountant can be used as supporting documentation alongside other checks. In this case, the Clause 2.21 of <FSC-POL-20-003 V3-3 Annual Administration Fee>and INT-POL-20-005_01 on 'FPT rigor' continue to apply. For reference, the Clause 2.21 of <FSC-POL-20-003 V3-3 Annual Administration Fee> states:

'CBs shall not rely on oral or written self-declarations alone. A self-declaration shall be assessed by the CB for reasonableness, plausibility and, as far as possible, accuracy'.

Code	INT-POL-20-005_11
Requirement (s)	Clause 2.27
Publication date	10 November 2021; amended 28 April 2023

What data protection considerations have been taken into account? For instance, will the information provided related to the AAF be confidential?

Yes, information provided related to AAF will be held confidential. FSC adheres to General Data Protection Regulation (GDPR) regulations, which means that any data stored by FSC (including the FPT and Revenue figures) are handled in a compliant manner. Turnover and Revenue data is stored on the FSC certification database; access to Turnover and Revenue data is restricted to the CB who obtains the data from the CH and manages it within the database, plus a tightly defined set of FSC staff who need to use that data to perform their job functions and those teams' contractors who operate under strict non-disclosure agreements.

Processing of business sensitive and confidential data is lawful as it is necessary in order to ensure conformance with the FSC certification scheme to which the data subject is party. As with all certification activities, and according to Clause 1.8 of <FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies> the CB "shall be responsible, through legally enforceable commitments, for the management of all information obtained or created during the performance of certification activities". According to Clause 2.4.2 of <FSC-STD-20-001 V4-0 General requirements for FSC accredited certification bodies> the CB must have established procedures 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". Therefore, if a CH has concerns on matters regarding certification activities, the CH should raise these concerns with its CB.

Code	INT-POL-20-005_12
Requirement (s)	Clause 2.27
Publication date	10 December 2021
<p>What are FSC’s protocols for handling confidential information?</p> <p>Certification data, including personal and other confidential information, are managed in FSC’s IT platforms. Certification bodies are contributors and managers of certification data in FSC’s IT platforms, and FSC’s confidentiality agreements and FSC Information Security protocols reflect the security requirements specific to FSC’s operating environment and the laws and regulations that are relevant to FSC, as well as best practices in information security. Our protocols and practices include Access Control to grant access to those with a legitimate role for access, Acceptable Use via our agreements with employees, certification bodies and third-party contractors enforce confidentiality and non-disclosure, Physical Security via our IT infrastructure providers who are certified for and provide physical security to ensure availability, integrity, and confidentiality of data, and Network Security that ensures that all data and authentication moves across encrypted channels.</p>	

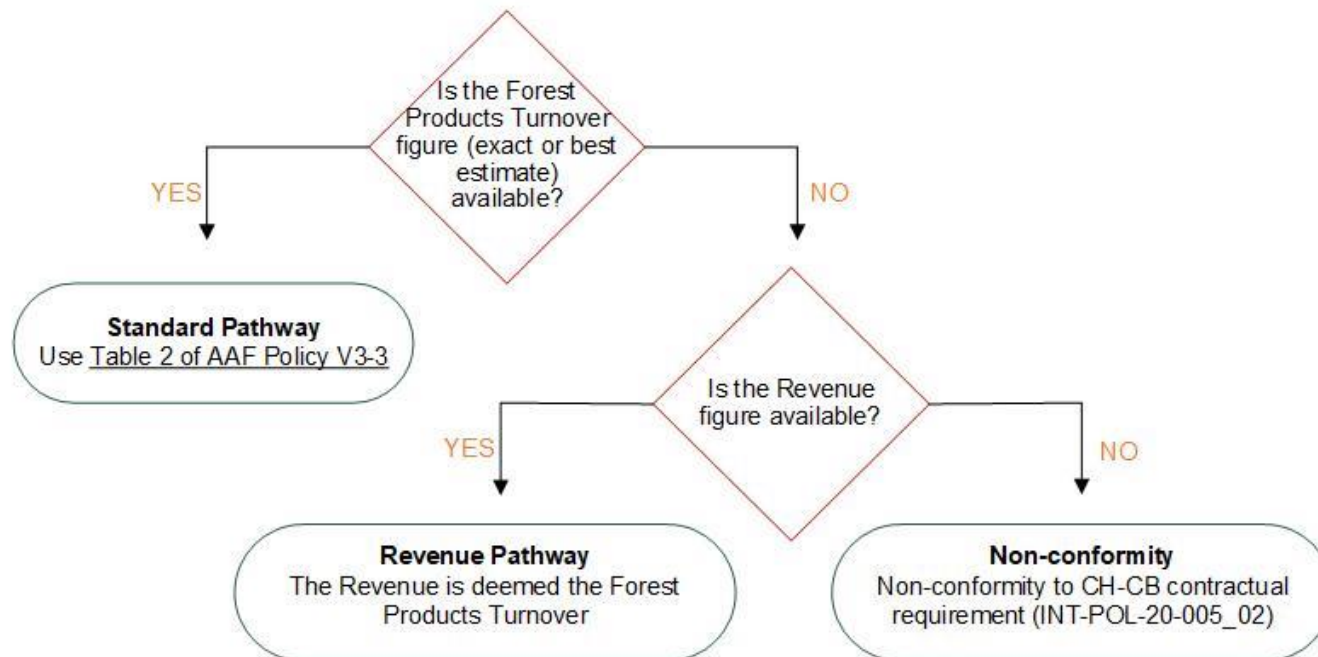
Code	INT-POL-20-005_19
Requirement (s)	Clause 3.1
Publication date	28 September 2023
<p>How FSC will charge the AAF, in the case that a CB does not update the FSC Certification Database according to Section 2, as the Default Pathway has been withdrawn as of Q1 2024?</p> <p>FSC will calculate the AAF on the basis of the latest information provided (the mid-point of one AAF Class higher), until the update has been completed.</p> <p>In the absence of any previous information, FSC reserves the right to charge the AAF on a case by case basis.</p>	

Code	INT-POL-20-005_13
Requirement (s)	Clause 5.1.1
Publication date	25 November 2021; amended 28 September 2023

How will the AAF be calculated, if the exact or best estimate of FPT and/or Revenue is not available?

Overview of AAF calculation

The flowchart outlines the process for calculating the AAF. In the vast majority of cases FSC expects the Forest Products Turnover to be provided by CHs, including sufficiently meeting supporting documentation requirements. See INT-POL-20-005_14 for additional clarification on what supporting documentation is required for the different Pathways. However, FSC has also outlined the process should the Forest Products Turnover and/or Revenue not be available. The below process only applies to CHs certified before 1 July 2022. All CHs certified after 1 July 2022 are expected to conform immediately with providing the Forest Products Turnover figure.



Code	INT-POL-20-005_14				
Requirement (s)	Clause 5.1.1 and INT-POL-20-005_13				
Publication date	06 April 2022: amended 28 September 2023				
<p>For each pathway, as per INT-POL-20-005_13, when is the following required:</p> <p>a) the FPT and Revenue figures?</p> <p>b) verification?</p>					
Pathway	FPT figure required?	Level of Rigor of FPT as per INT-POL-20-005_01 met?	Revenue figure required?	Verification of Revenue required?	Additional comments on exceptions
Standard Pathway	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> or <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> or <input checked="" type="checkbox"/>	As per Clause 2.10, if the FPT figure does not involve an element of estimation, the CB may waive the requirement to collect and verify the Revenue figure.
Revenue Pathway	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Code	INT-POL-20-005_15				
Requirement (s)	Clause 5.1.1 and INT-POL-20-005_13				
Publication date	17 February 2022; amended 28 September 2023				
<p>How shall CBs enter the data in database and communicate to FSC in order to allow FSC to calculate the AAF according to INT-POL-20-005_13?</p> <p>In case the Standard Pathway is used:</p> <ol style="list-style-type: none"> 1. The FPT figure is entered in the FSC Certification Database. For Revenue field either the Revenue figure is entered or zero '0' is entered as per Clause 2.10 of <FSC-POL-20-003 Annual Administration Fee>. 2. No further communication with FSC is needed. <p>In case the Revenue Pathway is used:</p>					

1. The Revenue figure is entered in the FSC Certification Database and the FPT field is left blank.
2. No further communication with FSC is needed.

INT-POL-20-005_16	What are the database entry requirements should the Revenue Pathway apply and the cap of '10 billion USD is used?
Status	Withdrawn

Code	INT-POL-20-005_17
Requirement (s)	Annex 1
Publication date	28 April 2023
<p>How does FSC calculate the AAF for Natural Forests in the Sub-Tropical Zone?</p> <p>For the purpose of calculating the AAF, FSC considers the forest type 'Natural Forest – Sub-tropical' same as 'Natural Forest – Tropical' with the rate of 0.0020 USD per hectare until the Annex 1 of <FSC-POL-20-003 Annual Administration Fee> is revised.</p>	



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