



Forest Stewardship Council®



FREQUENTLY ASKED QUESTIONS

AAF Policy V3-1

Last updated: 10 November 2021

The answers in this document are mandatory interpretations of the AAF Policy.

NOTE: Questions and Answers are presented by chapter of the AAF Policy, with the exception of the first section named '0. General questions', which focuses on questions that do not link to a particular chapter in the Policy.

0. General questions

Reference	Rationale for Forest Products Turnover data
Publication date	10 November 2021
Question # 0.5	Why is the Forest Products Turnover required in the revised AAF Policy?
Answer	<p>FSC has assessed how organisations benefit from FSC certification and the use of FSC trademarks. The Forest Products Turnover is used to determine the AAF because this represents the potential value upon which an organization could benefit from FSC certification.</p> <p>This is not new: for a long time AAF has been calculated based on the CHs' Forest Products Turnover. Up to now this figure has been used to assign a CH to an AAF class defined by different turnover ranges; implicit in this was disclosure by the CH of the actual Forest Products Turnover figure to CBs, it was just not a requirement for entry into the FSC Certification Database.</p> <p>Currently, the AAF for CoC certification is calculated according to a series of wide bands of Forest Products Turnover, with a fixed fee charged depending on the AAF Class that a CH falls into. This is set to change from July 2022, to make the AAF more equitable.</p> <p>The current AAF calculation can lead to inequalities because companies at the lower end of a turnover band pay the same fee as those at the top of the band. For example, a company with Forest Products Turnover of US\$101 million will pay the same fee as a company with a Forest Products Turnover of US\$499 million, using the turnover band method. To address this, a new structure will be introduced that calculates AAF based on the actual Forest Products Turnover, rather than using broad ranges.</p> <p>The new AAF will be calculated based on a CH's actual Forest Products Turnover using a sliding scale. This results in a more equitable AAF structure.</p>

Reference	Rationale for Revenue data
Publication date	10 November 2021
Question # 0.6	Why is the Revenue required in the revised AAF Policy?
Answer	As explained in question # 0.5, moving to an AAF scheme based on the exact Forest Products Turnover, or best estimate, is more equitable. The Revenue figure, which is required from 1 January 2022 as part of the annual audit, or when requested by the CB, allows the Forest Products Turnover figure to be evaluated in the context of the Revenue for reasonableness and plausibility (see clause 2.11 of the AAF Policy). Section b 'Scope' of the AAF Policy states: "FSC and/or a contracted third party will monitor the correct implementation of this Policy by CBs". Consequently, CHs are required to disclose the overall Revenue to provide the necessary context for the Forest Products Turnover figure; it is an important piece of information to assess whether the correct AAF is charged.

Reference	Rationale for Forest Products Turnover amount including products with a small amount of wood
Publication date	10 November 2021
Question # 0.7	Products containing only a small amount of wood are included in the Forest Products Turnover amount. Why is this?
Answer	FSC certification is a market-based tool that is intended to support the sale of certified products, with the certificate being applied to the entire product not just one component of a product. The benefit to a CH is equal to the value of the additional sales realised. Thus, the Forest Products Turnover is calculated on the entire value of all products sold by a CH that contain any forest products and is not weighted according to the proportion of forest products within these products sold. <i>(This is the same approach as in previous versions of the AAF Policy.)</i>

Reference	Rationale for Forest Products Turnover including non FSC-certified turnover
Publication date	10 November 2021
Question # 0.8	Why is the AAF not calculated solely on the FSC-certified turnover?
Answer	The total Forest Products Turnover is used as a basis for calculating AAF because this reflects the total potential benefit that an organization could derive from FSC certification. Furthermore, FSC sees increased uptake of FSC certification as a primary driver towards achieving its mission of 'Forests for All Forever'. Charging AAF based on the entire Forest Products Turnover thus provides an incentive for CHs to maximise the

	use of their certificate; for example, by sourcing more FSC-certified material from their suppliers and promoting FSC-certified products to their customers. FSC CHs may also advertise themselves as FSC-certified, and hence businesses can derive value simply from having an FSC certificate, even if the proportion of sales of FSC-certified products is low. <i>(This is the same approach as in previous versions of the AAF Policy.)</i>
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Reference	Forest Products Turnover guidance
Publication date	10 November 2021
Question # 0.9	What is the level of rigour required for the Forest Products Turnover?
Answer	<p>Context</p> <p>The new FSC AAF Policy V3-1 requires that CBs collect CHs' exact Forest Products Turnover or the best estimate possible, if there is no exact number available, for the purpose of calculating AAF according to the updated calculation method. The need for CHs to provide their Forest Products Turnover has always been required in FSC's AAF Policy; however, the AAF was calculated according to Forest Products Turnover ranges and hence an exact figure was not required to be inputted by CBs into the FSC Certification Database.</p> <p>As such, the need for CHs to estimate their Forest Products Turnover is not a new requirement. However, FSC recognises that in practice the process underlying this requirement was not always formalised. Therefore, FSC would like to provide further guidance on acceptable levels of rigour expected for the best estimate of Forest Products Turnover according to the new Policy. FSC would also like to reassure CBs and CHs that a reasonable approach will be taken in terms of Forest Products Turnover verification, especially during the transition of 2021 and 2022.</p> <p>Note also that the term 'Revenue' is a financial reporting term that already implies the use of best estimates for accounting purposes.</p> <p>100% forest-based businesses</p> <p>For CHs that are 100% forest-based businesses the calculation is very simple: the Forest Products Turnover equals the organisation's total Revenue. Supporting documents to be viewed by the CB could be financial statements and/or tax filings, for example.</p>

Businesses with forest-based and non-forest-based products

A logical start point for the best estimation of the Forest Products Turnover is that the Forest Products Turnover 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 start point, an organisation can make a reasonable Forest Products Turnover estimate based on progressively excluding non- Forest Products Turnover from their total Revenue.

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 Forest Products Turnover or 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 Forest Products Turnover estimate that is fair and plausible.

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 Forest Products Turnover should be further reduced. But if the CH cannot back up that claim, then the original calculation of Forest Products Turnover being 40% of Revenue should be used.

Some CHs will have precise records of the amount of turnover derived from forest products, and for these organisations the Forest Products Turnover can be determined from the relevant accounting data.

For all other CHs, some degree of estimation and professional judgement will be required to derive a reasonable estimation of Forest Products Turnover. 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.

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

	<p>where there are no sales of Forest Products can be excluded when determining the Forest Products Turnover.</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 come from forest products, then the lower figure (20%) should be used, leaving the Forest Products Turnover as 80% of total Revenue.</p> <p>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 Forest Products Turnover only accounts for 30% of Revenue, then auditors should probe deeper. The calculations made to derive the Forest Products Turnover 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.</p> <p>In assessing CB implementation of the AAF Policy, FSC will be looking first and foremost for reasonableness. FSC's expectation is not that CBs will have exact figures for Forest Products Turnover for every CH, but that best estimates are made consistently, reasonably and conservatively with respect to Revenues that are excluded. FSC expects that most CHs should be able to show management accounts that are sufficiently detailed to provide for a reasonable estimate of Forest Products Turnover without making extensive calculations. FSC will not seek to penalize CBs or CHs that have followed these guidelines with reasonable diligence and in good faith.</p>
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Reference	Data protection
Publication date	10 November 2021
Question # 0.10	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 Forest Products Turnover 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'

	<p>contractors who operate under strict non-disclosure agreements.</p> <p>Processing of business sensitive and confidential data is lawful as processing is necessary in order to ensure compliance with the FSC Certification scheme to which the data subject is party. As with all certification activities, and according to FSC-STD-20-001, clause 1.8, 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 FSC-STD-20-001, clause 2.4.2, 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.</p> <p>FSC will contract Assurance Services International (ASI) or another enforcement body to monitor the implementation of the new AAF Policy from 1 July 2022, and they will therefore have access on a need-to-know basis. This check-and-balance system is essential for a third-party certification system like FSC, which cannot be waived.</p>
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Reference	Terms and definitions
Publication date	22 September 2021
Question # 0.1	Is forest-based reclaimed material included within the Forest Products Turnover definition?
Answer	Yes, forest-based reclaimed material is included in the Forest Products Turnover definition (FSC-STD-40-004, section B Scope Box 2, section 2 Clause 2.4 Table B and section 2.5). <i>(This has not been changed compared to V2-9 of the AAF Policy.)</i>

Reference	Terms and definitions
Publication date	22 September 2021
Question # 0.2	How should the Forest Products Turnover be calculated for a product that consists of wood and/or fiber, as well as other materials?
Answer	Forest Products Turnover includes the Revenue of all products <u>containing</u> wood or fibre components, regardless of the percentage of wood and/or fibre. <i>(This approach has not been changed compared to V2-9 of the AAF Policy.)</i>

Reference	Terms and definitions
Publication date	22 September 2021
Question # 0.3	Should the Revenue from non-certified products be included in the Revenue figure?
Answer	Yes. <i>(This has not been changed compared to V2-9 of the AAF Policy.)</i>

Reference	Terms and definitions
Publication date	10 November 2021
Question # 0.11	Are non-timber forest products (NTFPs) included in the Forest Products Turnover?
Answer	Yes, the Forest Products Turnover includes the Revenue of all certified and uncertified forest products, <u>including</u> non-timber forest products (NTFPs). <i>(This has not been changed compared to V2-9 of the AAF Policy.)</i>

Reference	Terms and definitions
Publication date	10 November 2021
Question # 0.12	According to the definition, Forest Products Turnover does not refer to related services. What would be examples for this type of services?
Answer	These services, often also provided under an outsourcing agreement, include, but are not limited to: <ul style="list-style-type: none"> • Purchasing • Storage/warehousing • Drying • Cutting/Sizing/Shaping • Polishing and any other similar treatment • Assembling • Packaging • Invoicing • Transportation • Installation

Reference	Effective date
Publication date	22 September 2021
Question # 0.4	Why does the policy have an 'effective date' of "1st January 2022" while in the Policy text the new AAF pricing model commences "1st July 2022" only?
Answer	The policy date is 1 January 2022 as it clarifies terminology and obligations. In addition, it outlines new data collection

	requirements related to Forest Products Turnover, Revenue and fiscal year. In particular, the Forest Products Turnover is required in advance of 1st July 2022, so that this can be used in the new AAF pricing model from 1 July 2022 onwards.
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1. General principles

No questions so far.

2. Obligations

Reference	Clause 2.2, and clause 2.4
Publication date	10 November 2021
Question # 2.8	When does the following information need to be provided from the CH to the CB: ' <i>Forest Products Turnover</i> '?
Answer	As stated in clause 2.5, "CBs shall enter and review the Forest Products Turnover field (with the exact amount) by 15 June 2022 " [emphasis added]. Therefore, the CH needs to provide this information before this date.

Reference	Clause 2.4 c)
Publication date	10 November 2021
Question # 2.9	When does the following information need to be provided from the CH to the CB: (d) ' <i>start and end date of fiscal year</i> ' and (e) ' <i>the Revenue for new data entries</i> '?
Answer	The data for the two fields must be provided by the CH from 1 January 2022 as part of the annual audit, or when requested by the CB. Prior to 1 January 2022 it is optional for the CH to provide the information to the CB.

Reference	Clause 2.4 d)
Publication date	22 September 2021
Question # 2.1	Do the Forest Products Turnover and Revenue for Chain of Custody Certificate Holders in Class 1 have to be entered?
Answer	Yes. This requirement applies to CHs of <u>all</u> Classes.

Reference	Clause 2.4 d)
Publication date	22 September 2021, currently under revision
Question # 2.2	What is the process if a Certificate Holder refuses to share the Forest Products Turnover?
	Q # 2.2 is currently undergoing revision and will be re-inserted in a later version.

Reference	Clause 2.4 d)
Publication date	22 September 2021
Question # 2.3	If a company has multiple certifications, should the Forest Products Turnover and Revenue tie to the individual certificate?
Answer	Yes, Forest Products Turnover and Revenue have to be provided per individual certificate. <i>(This has not been changed compared to V2-9 of the AAF Policy.)</i>

Reference	Clause 2.4 d)
Publication date	22 September 2021
Question # 2.4	Should products manufactured by an external contractor be included within the Forest Products Turnover of a Certificate Holder? Does it matter if the contractor is FSC certified or not?
Answer	Yes, products manufactured by an external contractor under an outsourcing agreement shall be included. It is irrelevant whether the contractor is FSC certified or not. <i>(This has not been changed compared to V2-9 of the AAF Policy.)</i>

Reference	Clause 2.4 d)
Publication date	10 November 2021
Question # 2.10	What is the Forest Products Turnover for a Certificate Holder 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.
Answer	0 (zero) USD Forest Products Turnover shall be declared for the CH based in country X as the Forest Products Turnover 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>

Reference	Clause 2.4 f)
Publication date	22 September 2021, updated 10 November 2021
Question # 2.5	The Policy requires that for Project Certificates the CB should supply "overall cost of each project" – is this one total figure, or are we supposed to collect each project separately? And is this in USD, or local currency? If USD, which date do we use for conversion?

Answer	<p>The CB shall obtain the individual cost for each Project. As is the case for Forest Products Turnover and Revenue, the Project Cost shall be provided in USD. The conversion date is the date at the end of the quarter.</p> <p>As per ADVICE-40-006-01, the CB shall create a separate Project Certification record per individual Project, or quarter in which a continuous project results in a completed output, and the CB shall enter the individual cost of each such Project on the respective Project Certification record in the field labelled Total Project(s) Cost (USD). This Advice will be updated when the FSC Certification Database would be upgraded to fully reflect the provisions of FSC-STD-40-006 V2-0 in 2022.</p>
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Reference	Clause 2.5
Publication date	22 September 2021
Question # 2.6	Which AAF Classes should be selected when entering data into the FSC Certification Database: the appropriate Class from the old AAF Classes 1-10+ as set out in the AAF Policy V2-9 or the new AAF Classes 1-7 as set out in the AAF Policy V3-1?
Answer	<p>The AAF Policy V3-1 states that the AAF Classes 1-10+ are still applicable prior to 1 July 2022, so up to that date CBs shall select a Class in the ranges that are also specified in the AAF Policy V2-9.</p> <p>From 1 July 2022 CBs will not be asked to select from amongst the new Classes (range 1-7) that are applicable from 1 July 2022, since these will be looked-up automatically by the AAF invoicing system based on the Forest Products Turnover fields. From 1 July 2022 the AAF Class fields will be removed as editable fields from the FSC Certification Database.</p>

Reference	Clause 2.17
Publication date	10 November 2021
Question # 2.11	Does the Central Office of CoC Multi-Site and Groups have to collect written self-declarations of their sites/group members?
Answer	No, the Central Office is not required to collect written self-declarations of their sites/group members.

Reference	Clause 2.18
Publication date	22 September 2021
Question # 2.7	Do records have to be kept for at least seven (7) years starting with the next calendar year after which the records have been created?
Answer	Yes, the AAF Policy V3-1 states this. When the policy is revised again the time period will be increased to ten (10)

	years, which is in line with the revised retention period for all documents.
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3. Consequences for non-conformity

No questions so far.

4. Calculating the AAF for Forest Management (FM), Forest Management/ Chain of Custody (FM/COC) and Controlled Wood/Forest Management (CW/FM) certification

No questions so far.

5. Calculating the AAF for Chain of Custody (COC)

No questions so far.

6. Invoicing and payment

Reference	Clause 6.2
Publication date	22 September 2021
Question # 6.1	How does the invoicing work during the first year of the effective date of the Policy (i.e. 2022)?
Answer	<p>CBs pay FSC the AAF per quarter. This means that the FSC invoicing to CBs for Q1 and Q2 uses the Classes pricing method (as is currently the case in V2-9) and the FSC invoicing to CBs for Q3 and Q4 uses the exact figures of the Forest Products Turnover. As stated in the policy in clause 6.2: “The quarterly invoices will be calculated based on the AAF information available in the FSC Certification Database on the determination dates specified in Table 4, Annex 3 (or the next working day) and dividing the final result by four”.</p> <p>CBs charge the CHs the AAF. As stated in clause 6.5 “CBs are responsible for their own invoicing arrangements and collections independent of FSC and the AAF”, however, as per clause 6.10 “CBs shall identify the AAF on their invoices to CHs as calculated for that CH according to this policy”. This means that CBs shall carry out a reconciliation with their Certificate Holders at a later date if necessary (due to for example, advance billing of Certificate Holders meaning that the overall amount differs to the AAF Policy).</p>

Reference	Clause 6.6
Publication date	10 November 2021
Question # 6.2	Does Oanda have to be used as a fee seems to be necessary for its use?
Answer	CBs shall select the currency and dates from the following page only: https://www1.oanda.com/currency/converter/ . There

	<p>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, just using the regular currency converter page suffices.</p> <p>If it is not possible to access Oanda in a specific country due to internet restrictions, the figure from the National Bank shall instead be used. For example, for Chinese CHs, this website shall be used: http://www.safe.gov.cn/safe/rmbhlzjj/index.html</p>
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7. Prevailing clause

No questions so far

List of abbreviations

AAF	Annual Administration Fee
ASI	Assurance Services International
CB	Certification Body
CH	Certificate Holder
CoC	Chain of Custody

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@ assurance.quality@fsc.org - for questions related to the AAF Policy

@ database@fsc.org - for questions related to the FSC Certification Database

@ connect@fsc.org - for questions related to access to the AAF Portal