



Changes to FairWild license fee calculations

Notification: 12th September 2016

Purpose

This document presents a revision to the methodology for calculation of FairWild license fees. A consultation document was sent out to all current and likely future licensees through the FairWild Secretariat in November 2015. The results of this consultation were shared with the Board of Trustees and the final revision was agreed on 14th June 2016.

Our approach so far

Fees charged by FairWild to licensees comprise three elements: an initial registration fee; an annual basic charge after the first year; and a 'product license fee' calculated on the basis of turnover of FairWild products. The current schedule of fees is attached as Annex 1.

The method of calculation of the FairWild product license fee has been as follows:

$$\text{Fee} = \text{number of units sold} \times \text{unit value at sale} \times \text{percentage of FairWild certified ingredient} \times \text{fee rate}$$

The "fee rate" varied from 1.00% down to 0.30% depending on the gross turnover of FairWild certified products sold by the licensee.

Why we considered a change of approach

Although this approach to FairWild license fee calculation has been adequate for products containing substantial percentages of unprocessed raw material (e.g. teas), its application to cosmetics and drinks containing low percentages of extracts or otherwise processed ingredients leads to calculation of very low license fee charges. A review of the license fee system in early 2015 concluded that our current fee calculation approach fails to value properly the FairWild label, which ends up being just as prominent on packaging in association with a cosmetic with 0.01% FairWild ingredient as on a tea with 20% FairWild ingredient.

Summary of changes

1. SHIFT AWAY FROM PRODUCT %-BASED FEE

We are discontinuing the adjustment for % FairWild ingredient in the calculation and instead simply applying a new % fee to the total turnover of labelled products, with a simplified fee banding for higher turnover.

$$\text{Fee} = (\text{number of units sold} \times \text{unit value at sale}) \times \text{fee rate}$$

Fee rates:

- 0.25% of total FairWild product sales up to EUR3m, plus
- 0.1% of total FairWild product sales from EUR3m to EUR10m, plus
- 0.05% of total FairWild product sales over EUR10m

2. INITIAL REGISTRATION FEE AND ANNUAL BASIC CHARGE

These fees remain unchanged.

3. DATE OF INTRODUCTION OF THE NEW SYSTEM

The new fee structure will apply for turnover declarations covering licensed sales during Calendar Year 2016 and thereafter.

New schedule of fees

Fees for Registered Licensees for 2016 and future years.

Initial registration fee	500 EUR
Annual basic charge after first year	500 EUR
Product license fees <i>Charges relate to the gross sales turnover of FairWild products excluding VAT, and are applied in addition to the basic charge.</i>	Fee rates: 0.25% of FW sales up to EUR3m, plus 0.1% of FW sales from EUR3m to EUR10m, plus 0.05% of FW sales over EUR10m
Additional follow-up required due to missing documentation or failure to submit update information on time	100 EUR/hour <i>Licensee will be informed of additional charges before they occur</i>

The full fee schedule is included as Annex 3 to this notification, and may be downloaded from: <http://www.fairwild.org/certification-documents/>

Annex 2: Current schedule of fees (now obsolete).



FairWild Registration and License Fees

Fees for FairWild Registered Processors and Traders (effective from 01/01/2015)

Annual registration fee	200 Euro / year
Product registration fee First five FairWild products*	100 Euro/product/year
Product registration fee Additional FairWild products (more than five)*	50 Euro/product/year
Additional follow-up required due to missing documentation or failure to submit update information on time	100 Euro/hour. <i>Trader will be informed of additional charges before they occur.</i>

* FairWild products: (all crude as well as processed herbal materials and the products made therefrom)

Fees for Registered Licensees (effective from 01/07/2014)

Initial registration fee	500 Euro / year	
Annual basic charge	500 Euro / year	
Product license fees (charged in addition to basic fee) <i>Charges relate to the gross turnover of FairWild-certified products, excl. VAT. The charges indicated in the table do not include VAT.</i>	<i>FairWild turnover in €</i>	<i>Standard rate</i>
	< 10,000	1.00%
	10,000 to < 50,000	0.80%
	50,000 to < 100,000	0.70%
	100,000 to < 500,000	0.60%
	500,000 to < 1,000,000	0.50%
	1,000,000 to < 5,000,000	0.40%
	5,000,000 to < 10,000,000	0.35%
≥ 10,000,000	0.30%	
Additional follow-up required due to missing documentation or failure to submit update information on time	100 Euro/hour. <i>Licensee will be informed of additional charges before they occur.</i>	

Annex 3: New schedule of fees.



FairWild Registration and License Fees

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Fees for Registered Licensees (effective for sales from 01/01/2016)

Initial registration fee	500 Euro / year
Annual basic charge	500 Euro / year
Product license fees <i>Charges relate to the gross sales turnover of FairWild products excluding VAT, and are applied in addition to the basic charge.</i>	Fee rates: 0.25% of FW sales up to EUR3m, plus 0.1% of FW sales from EUR3m to EUR10m, plus 0.05% of FW sales over EUR10m
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