

# **THE ADGREEN LEVY**

A guide



**where low impact counts**



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## INTRODUCTION

Curbing emissions from production is one of five recommendations from the Advertising Association's Ad Net Zero report.

AdGreen exists to unite the advertising industry to eliminate the negative environmental impacts of production, enabling the community to measure and understand waste and carbon impacts, empowering them to act for zero waste / zero carbon. Provided free at the point of use, the project comprises of training, online resources, renewable energy and offsetting programmes, and coming later in 2021, a carbon calculator followed by certification.

To ensure AdGreen can continue to provide resources, tools and training to support the advertising production community's transition to net zero with no barrier to use, sufficient income needs to be generated. The AdGreen Levy was introduced after discussion with AdGreen's advisory board and consultation with a cross industry working group. It is operated under the guidance of trade associations concerned with the production of advertising (listed in Appendix 2). The AdGreen Levy is discretionary and is to be paid by advertisers on relevant items via their UK based principal production partners (see glossary for definition of a principal production partner).

The AdGreen Levy will be administered for AdGreen in the UK by the AdGreen team based at AdGreen and the Advertising Association, and payments will be made to AdGreen (Advertising Association AdGreen Ltd).

AdGreen does not act as a consultancy. An AdGreen Levy is payment is neither a consultation fee nor a payment for use of the carbon calculation but a voluntary contribution to fund AdGreen's operating costs. That being said, if the advertiser's principal production partner is using the resources, tools and training provided by AdGreen, it is hoped the advertiser would contribute to the AdGreen Levy.

The AdGreen Levy is not intended to generate 'profit' for AdGreen beyond the project budget set out by AdGreen, a small amount of contingency for cash flow purposes and funds required for administration costs.

Please refer to the glossary in the appendix if you are unsure of any specific terminology, e.g. Principal Production Partner, 3<sup>rd</sup> Party Production Partner.

## WHAT IS THE LEVY?

The AdGreen Levy is recommended 0.25% of the production cost to the advertiser, as per the inclusions described below, up to a maximum levy amount of £2500 per production (equivalent to £1,000,000 of leviable production cost). It is discretionary and must be communicated as



such to potential levy payers [advertisers] by their UK based principal production partners who will collect it from them via production spend invoices, and in turn pass it to AdGreen.

- For tax purposes, The AdGreen Levy qualifies as a normal advertising expense as per other production costs
- It is recommended that The AdGreen Levy be a separate line item on each production cost estimate
- It is recommended that The AdGreen Levy be included in the total cost on the production cost invoice (not invoiced separately) so as to avoid an advertiser needing to generate additional PO numbers
- The AdGreen Levy is calculated on applicable Principal Production Partner items in the production cost estimate before the Principal Production Partner's VAT is applied (if applicable)<sup>1</sup>
- The AdGreen Levy cost itself is not liable to VAT. If you are a Principal Production Partner please ensure that The AdGreen Levy is invoiced to your advertiser without VAT applied and that any levy amounts collected and paid to AdGreen do not include any VAT

## WHAT IS INCLUDED?

It is recommended that all costs to produce the advertising asset(s) are included in The AdGreen Levy.

For the avoidance of doubt this encompasses:

- All principal production partner costs as per the production cost estimate, unless noted in exclusions below, including but not limited to day rates, visas, travel/transport, accommodation and associated away from home expenses for those attending a production event in person
- All 3rd party production partner costs including their markup and insurance (see exclusions for the principal production partners' insurance)
- Principal production partner personnel but only if they are included in the production cost estimate (AdGreen understands that in most cases they are part of general principal production partner contracts as opposed to production cost estimates and will therefore not be included in the majority of cases)
- Talent costs including but not limited to: Basic Session Fees (BSFs), licences and visas, travel/transport, accommodation and associated away from home expenses, chaperones, handlers for animals
- Music costs including but not limited to musician session fees, visas, travel/transport, accommodation and associated away from home expenses, instrument hire, composition fees for demos, music searches

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<sup>1</sup> If costs for 3<sup>rd</sup> party services outside of the UK are included in the production cost estimate and subject to the levy as defined in the recommended inclusions, we recommend the levy percentage is applied to the full cost, including any local VAT/sales tax.

- Post-production costs whether the services are provided by a 3<sup>rd</sup> party production partner or the principal production partner themselves including but not limited to offline and online edits, sound effects and mixes, grades, titles, animation, motion graphics, retouching, transfer to tape as part of telecine, WIP files for post-production, plus day rates, visas, travel/transport, accommodation and associated away from home expenses for those attending a production event in person
- Adaptation/localisation costs whether the services are provided by a 3<sup>rd</sup> party production partner or the Principal Production Partner themselves

It is recommended that as long as the principal production partner is based in the UK, the levy is applied to the recommended relevant costs regardless of the country the advertising content will air in and irrespective of where the production activities take place.

## **WHAT IS EXCLUDED?**

It is recommended that all costs to use, store and transmit the advertising asset(s), as well as the principal production partner's insurances and personnel costs (unless included in the production cost estimate) are excluded from The AdGreen Levy. Media spend is also excluded.

Examples of usage costs:

- Talent usage
- Music usage for bespoke or library tracks and copyright, publishing
- Stock footage (purchase and/or usage fees)
- Images (purchase and/or usage fees)
- Character IP/usage

Examples of storage costs:

- Linear Tape Open (LTO) storage for elements, rushes, selects, final assets etc
- Cloud based storage for elements, rushes, selects, final assets etc
- Long term physical storage for key props, sets, wardrobe, product

Examples of transmission costs (including business affairs costs):

- Payout
- Clearcast and late copy fees
- Upload/download charges
- Any other clearances (e.g., legal, musicologist)

Examples of insurance (relative to principal production partner only, see inclusions for the 3<sup>rd</sup> party production partners' insurance):

- Production and Campaigns Indemnity
- Commercial Producers Indemnity and any inclusive risks (e.g., products, props, sets, wardrobes, hire charges etc)

- Weather insurance
- Death & Disgrace and other indemnities relevant to artists
- Employer Liability & Public Liability

## HOW AND WHEN IS THE ADGREEN LEVY COLLECTED?

For those operating as principal production partners for the majority of their work this is the recommended workflow:

1. Principal production partner registers with AdGreen as an AdGreen Levy collector via the form hosted on the levy section of the AdGreen website – this constitutes consent to be contacted quarterly by AdGreen regarding any levy payments due to AdGreen
2. Principal production partner applies The AdGreen Levy to relevant items on the production cost estimate, totalling the amount as a separate line item
3. Principal production partner includes the total AdGreen Levy amount (ex VAT) in the initial<sup>2</sup> production cost invoice total, assuming the advertiser has made their intent to pay The AdGreen Levy known to the principal production partner (see ‘Recognition Agreements’ section below)
4. Principal production partner is paid The AdGreen Levy amount by the advertiser along with payment for any other items on the invoice it is included on
5. Principal production partner logs all levy payments collected
6. The AdGreen Levy payments are then collected by the AdGreen team as set out in the invoice cycle table below, with quarterly reminders to registered Principal Production Partners requesting completion of a form declaring how much has been collected for the previous quarter, along with a PO number if needed, and key contact

### Invoice cycles:

Levy payments collected in	Reminders sent by	Completed forms due by	Invoices sent by	Invoices paid by (terms: 30 days)
Q1: Jan - Mar	End of 1st week of April	End of April	End of 1 <sup>st</sup> week of May	End of 1 <sup>st</sup> week of June
Q2: Apr - Jun	End of 1st week of July	End of July	End of 1 <sup>st</sup> week of August	End of 1 <sup>st</sup> week of September

<sup>2</sup> AdGreen recognises this may be the *only* production cost invoice in some cases. Only one levy amount should be invoiced per production. AdGreen accepts that final production costs can differ from the original production cost estimate upon which The AdGreen Levy was applied. AdGreen does not expect the difference (whether more or less) to be subject to The AdGreen Levy.

Q3: Jul - Sep <sup>3</sup>	End of 1st week of October	End of October	End of 1 <sup>st</sup> week of November	End of 1 <sup>st</sup> week of December
Q4: Oct - Dec	End of 1st week of January	End of January	End of 1 <sup>st</sup> week of February	End of 1 <sup>st</sup> week of March

For the avoidance of doubt, registering as a levy collector does not commit a Principal Production Partner to collect any money from their clients, only to being contacted by AdGreen. A Principal Production Partner will only collect levy payments from their clients once the advertiser has agreed to contribute.

**For those operating as principal production partners only occasionally:**

If an organisation is acting as a Principal Production Partner only occasionally, and usually operate as a 3<sup>rd</sup> party production partner for example, we recommend following steps 2-4 above, and then using our online payment tool to pass the funds to AdGreen as needed.

**WHAT IF A PROJECT IS CANCELLED OR POSTPONED?**

As the recommendation for those operating as principal production partners for the majority of their work is to invoice the total AdGreen Levy amount on the initial production cost invoice there is a chance the project could be subsequently postponed or cancelled and some or all of the levy cost would need to be returned. This section sets out the advice in each case.

Note: For those paying via the online payment tool (see previous section), the recommendation is to pay The AdGreen Levy to AdGreen only once the job has been completed, in case of cancellation or postponement.

**Cancellation or postponement where credit is due back to the advertiser**

In the event of a project cancellation or postponement where credit is due back to the advertiser, if The AdGreen Levy amount has been billed to and paid by the advertiser to their principal production partner but not yet passed on to AdGreen, any levy credit due (i.e. that which is a percentage of costs now due back to the advertiser) should be paid back to the advertiser along with any other relevant cancellation costs.

If The AdGreen Levy amount has been billed to and paid by the advertiser to their principal production partner and has already been passed on to AdGreen, any AdGreen Levy credit due

<sup>3</sup> This is the first period upon which the levy payments will be paid to AdGreen when The AdGreen Levy is introduced on June 1st 2021.



(i.e. that which is a percentage of costs now due back to the advertiser) should be paid back to the advertiser along with any other relevant cancellation costs. It is recommended that the amount paid to AdGreen in error should then be deducted from the following quarter's total payment to AdGreen by the Principal Production Partner in order to balance.

If the Principal Production Partner does not anticipate enough payments due to AdGreen in the following quarter in order to deduct the appropriate amount, they should contact AdGreen to process a manual refund.

### **Cancellation or postponement where further costs are due from the advertiser**

In the event of a project cancellation or postponement where further costs are due from the advertiser in order to complete the production and there are leviable items included, it is recommended that The AdGreen Levy % should be applied as normal, invoiced to the advertiser, paid to the principal production partner and then forwarded to AdGreen in due course.

## **DO ADVERTISERS NEED TO REGISTER?**

Unlike principal production partners who are required to register, in order that the AdGreen team understands which organisations need to be contacted to organise transfer of AdGreen Levy payments, advertisers are not required to register.

However, to give the AdGreen team oversight as to the level of engagement amongst advertisers, AdGreen requests that advertisers register with AdGreen as an AdGreen Levy payer via the form hosted on the levy section of the AdGreen website.

The form will request details of the advertiser's principal production partners (including any In House Agencies) in order for AdGreen to cross reference with registered principal production partners. The form will also ask for permission to include the advertiser's name and/or approved logo in any communications regarding the levy. The advertiser has the right to refuse this and can provide a PR contact instead if desired.

For the avoidance of doubt, any organisation classed as an 'In-House Agency' (see glossary) is advised to register as a principal production partner, not as an advertiser.

Please note that registering your intent to pay with AdGreen in the way described above does not constitute agreement with your principal production partner to pay the AdGreen Levy – it is advised that you make your intent clear to all of your principal production partners directly as necessary.



## HOW IS THE ADGREEN LEVY CALCULATED?

The AdGreen Levy is 0.25% of the cost of producing advertising assets as described above. This is the same as £2.50 per £1,000 of relevant production cost or £100 per £40,000 of relevant production cost.

In 2019, the amount which would be subject to the levy for an average production<sup>4</sup> was £128,971.44. In this case, the levy due would be £322.43.

## HOW OFTEN IS THE ADGREEN LEVY PERCENTAGE REVIEWED AND BY WHOM?

The AdGreen Levy percentage will be reviewed each April by the AdGreen Finance Committee in collaboration with the AdGreen Advisory Board, AdGreen Levy Working Group and the organisations listed in Appendix 2 as needed, starting in April 2023. The AdGreen Levy percentage will be adjusted as necessary, with any change communicated via the organisations listed in Appendix 2 and to be in effect from June 1<sup>st</sup> that same year. The AdGreen Levy percentage is capped at 0.5%. Annual financial reports will be produced by AdGreen from 2023 and housed on the AdGreen website.

A lower levy can be achieved if any/all of the following occur:

- More advertisers opt in
- Production spend increases<sup>5</sup>
- AdGreen budget required decreases
- Other revenue sources are secured for AdGreen
- Initial loan funds are gifted in part or in full

## RECOGNITION AGREEMENTS

AdGreen recognises that the advertiser can notify their advertising agency of their intent to pay The AdGreen Levy in any of the following ways:

- Verbally, to apply to all projects or on a project by project basis
- Informally by email, to apply to all projects or on a project by project basis

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<sup>4</sup> Based on 16 surveys submitted by members of the IPA's Production Policy Group where number of jobs was also provided. Total production cost declared for 2019 was £358,712,562.29, and total jobs declared for 2019 were 2086. Average job cost £171,961.92. A broad average of 75% was given by the same members as to the amount of leviable costs, therefore leviable cost for an average job is £128,971.44.

<sup>5</sup> Based on the yearly Campaign report of media spend for top 100 advertising agencies (published each April). When 2019 data was compared with 2019 production spend information submitted from the IPA's Production Policy Group for the relevant agencies, production spend is 10% of total spend where media spend is 90%. For leviable production spend, a broad average of 75% is used - see footnote 4. Therefore, a percentage of 8.3% [recurring] can be used to estimate leviable production spend from publicly available media spend figures. Further IPA Production Policy Group surveys will be required in the future to confirm whether this estimate remains broadly correct.



- By signing an addendum to an existing production agreement (a template can be found on the AdGreen website and is worded so as to apply to all projects the agreement references)

Alternatively, an advertising agency may choose to add The AdGreen Levy to all production cost estimates by default and communicate this intention to all client, noting their right to remove it from the estimate prior to signing it off.

The advertiser has the right to request a statement of AdGreen Levy payments made to the Principal Production Partner, from the Principal Production Partner at any time. The Principal Production Partner may also be asked to share a statement of payments collected with AdGreen.

## **ANY QUESTIONS?**

All queries should initially be directed to the usual representative at the appropriate trade association (see Appendix 2), which will also accept enquiries from non-members in the same branch of their industry.

## **TAKING IT FURTHER**

Any problem that cannot be resolved by the trade association concerned should be directed to the Project Director of AdGreen.



## **APPENDIX 1 – ADGREEN CONTACT DETAILS**

The AdGreen Levy is administrated for AdGreen\* in the UK by the AdGreen team based at AdGreen and the Advertising Association. Contact us on [levy@weareadgreen.org](mailto:levy@weareadgreen.org).

Find us at:

12 Henrietta St, Covent Garden  
London WC2E 8LH

Registered office:

Lynton House, 7-12 Tavistock Square  
London WC1H 9LT

\*Advertising Association AdGreen Ltd trading as AdGreen, is a company limited by guarantee, and a wholly owned subsidiary of the Advertising Association.

Registered in England No.12807514. VAT registration No. GB 355 1622 11.

## **APPENDIX 2 – ORGANISATION CONTACT DETAILS**

### **Advertising Association (AA)**

12 Henrietta Street  
Covent Garden  
London WC2E 8LH  
<https://adassoc.org.uk/>

### **Incorporated Society of British Advertisers (ISBA)**

12 Henrietta Street  
Covent Garden  
London WC2E 8LH  
Tel: 020 7291 9020  
<https://www.isba.org.uk/>

### **Institute of Practitioners in Advertising (IPA)**

44 Belgrave Square  
London SW1X 8QS  
Tel: 020 7235 7020  
<https://ipa.co.uk/>

### **Advertising Producers Association (APA)**

47 Beak Street  
London W1F 9SE  
Tel: 020 7434 2651  
<https://www.a-p-a.net/>

### **Association of Photographers (AOP)**

2nd Floor  
201 Haverstock Hill  
London NW3 4QG  
Tel: 020 7739 6669  
<https://www.the-aop.org/>

## **APPENDIX 3 – ALPHABETICAL GLOSSARY**

### **3rd Party Production Partner**

A further production partner that the principal production partner has engaged to provide specific production services which they themselves do not specialise in. In most cases the 3rd party production partner will be a production company contracted by an advertising agency. In some cases, it will be a service production company, audio post-production company or visual post-production company.

### **Adaptation**

Also applies to 'localisation'. An advertising asset already in existence which is being altered to reflect suitability for a local market or to accommodate an updated product. Sometimes also referred to as adapts, versioning or re-versioning.

### **Advertising Agency**

(A.K.A. creative/digital/PR/activation agency or 'ad agency') A company dedicated to creating, planning, executing and handling advertising assets and sometimes other forms of promotion and marketing for its clients (advertisers). The Advertising Agency is the principal production partner in most cases.

### **Advertising Asset(s)**

Moving image, still image or audio file created to advertise a specific product or service on any form of media.

### **Audio Post-Production Company**

A company providing services related to post-production activities (creation and/or manipulation of audio marketing assets generated by themselves, the principal production partner or a 3<sup>rd</sup> party production partner).

### **Client**

Advertiser (and vice versa).

### **In House Agency**

An advertising agency of the type described above which is part of an advertiser.

### **Leviable Production Spend**

Items included on a production cost estimate which fall under the inclusions set out in this document.

### **Levy Beneficiary**

AdGreen.



### **Levy Collectors**

A principal production partner who is based in the UK and requests AdGreen Levy payments, collecting them before passing them to AdGreen.

### **Levy Payer**

An advertiser.

### **Principal Production Partner**

The principal supplier of production services to the advertiser, who will be billing them for said services. In most cases this will be an advertising agency. In some cases, the Principal Production Partner will be an in-house agency at the advertiser, or could also be a production company, service production company, audio post-production company or visual post-production company working directly with the advertiser.

### **Production Company**

A company providing services related to production activities (planning/logistics/execution of content creation), generating motion and/or stills content, which is live action and/or animation. Usually working in service to a principal production partner, usually representing the director, animator or photographer.

### **Production Cost Estimate**

The budget put together by the relevant Principal Production Partner or 3<sup>rd</sup> Party Production Partner.

### **Production Event**

Shoot, recce, casting, fitting etc.

### **Service Production Company**

A company providing services related to production activities (planning/logistics/execution of content creation), generating motion and/or stills content, which is live action and/or animation. Usually working in service to a 3<sup>rd</sup> party production supplier (e.g., production company) or principal production partner, usually in another territory and not representing the director, animator or photographer.

### **UK**

Taken to mean the United Kingdom of Great Britain and Northern Ireland.

### **Visual Post-Production Company**

A company providing services related to post-production activities (creation and/or manipulation of moving image or still marketing assets generated by themselves, the principal production partner or a 3<sup>rd</sup> party production partner).

## **APPENDIX 4 – FAQs**

### **How has the 0.25% for The AdGreen Levy been settled upon?**

Three figures need to be understood in order to ascertain the percentage that will generate enough income for a given timeframe:

1. Total industry production spend (as per the inclusions in this guide) for a recent period (e.g. 2019) and factors affecting future spend
2. Proportion of industry who support The AdGreen Levy, reflecting Principal Production Partner commitment, production billings and advertiser commitment
3. Project budget needing to be generated by the levy for the same period of time

The percentage is calculated by dividing the project budget for a given timeframe by the estimated production spend amount upon which the levy will be raised (where growth rate year on year is factored in and covers the same timeframe). Data to inform the above numbers has been collected from a variety of public domain sources, including BAFTA's albert, Campaign, Clearcast, as well as members of the IPA's PPG group.

### **Who checks how the percentage has been calculated?**

Before announcing the initial AdGreen Levy percentage, the calculations were checked by Menzies (an auditing firm) as well as by a number of other independent sources/individuals. Prior to each updated AdGreen Levy percentage publication (each June from 2023), the calculations are checked by an auditor and the AdGreen Finance Committee.

### **Is media spend included (i.e. subject to The AdGreen Levy)?**

No, AdGreen recommends that media spend is not included when calculating the levy due: only costs to produce an advertising asset should be included – see inclusions and exclusions in the body of the guide.

### **The ASBOF levy on media spend is only 0.1%. Why is The AdGreen Levy a higher percentage?**

The ASBOF levy is collected on media spend, which represents roughly 90% of spend on a motion or stills based advertising campaign. Production spend to which The AdGreen Levy applies represents around 7.5%. Therefore The AdGreen Levy would need to be higher to generate the same level of income. ASBOF and AdGreen budgets required also differ. The AdGreen Levy percentage has been set with these factors in mind.

### **I hear the AdGreen Carbon Calculator isn't being introduced until September 2021 – why is The AdGreen Levy being introduced ahead of this, in June 2021?**

Although AdGreen recommends that The AdGreen Levy is applied to relevant production costs from June 1<sup>st</sup> 2021, AdGreen Levy payments received by the Principal Production Partner from July 1<sup>st</sup> – September 30<sup>th</sup> will not be received by AdGreen until November/December 2021 (as per the above invoice cycle table), by which time the AdGreen Carbon Calculator will have been released. It is also important to remember that The AdGreen Levy is not a direct payment for



the calculator, rather it should be regarded as a contribution towards AdGreen's operating costs. The advertising production community is welcome to engage in training and use the resources before the AdGreen Carbon Calculator is introduced. To keep informed of calculator updates, please sign up for the newsletter: <http://eepurl.com/bRsPTL>.