

Annual Administration Fee (AAF) Frequently Asked Questions (FAQs)

Q: What is the AAF?

- The AAF is a fee charged by FSC to accredited certification bodies (CB). Its purpose is to support the service provided by FSC to uphold the FSC certification scheme. The majority of FSC's income comes from the AAF, making it a vital contributor to achieving FSC's mission of Forests for All Forever.

Q: How do I know my AAF?

- An estimate of the new fee can be made by referencing the AAF Policy.
- The fee can also be provided by a certification body, once you share your forest products turnover with them.
- An FSC network partner may also provide you with an estimate, if necessary.

Q: What is changing with the AAF?

As of January 2024, the following will apply:

1. Inflationary adjustment to the FSC Annual Administration Fee (AAF) for the Chain of Custody (CoC) certificate holders. The adjustment follows the [International Monetary Fund global inflation rate 2022](#), which was 8,7 %.
2. Changes in the alternative pathways for calculating AAF for Chain of Custody (CoC) certification. Currently, there are four alternative pathways for calculating the AAF for CoC certificate holders: (1) Standard Pathway, (2) Revenue Pathway, (3) Exception Pathway and (4) Default Pathway. From January 2024 onwards, only the Standard Pathway and Revenue Pathway will be valid.

Q: Why is FSC increasing the AAF and will it increase again in the future?

- The AAF is based on the AAF Policy [FSC-POL-20-005 V3-3](#) which states that "FSC reserves the right to adjust the AAF annually according to the global inflation rate of the previous year". The adjustment is based on the FSC AAF Policy and usually follows the International Monetary Fund global inflation rate.
- The revised AAF will enable FSC to continue to grow the integrity and credibility of its system in the face of rising inflation rates, therefore increasing the value and the uptake of FSC certification.

The AAF, costs and responsibilities are detailed in the [AAF Policy](#).

Q: Why does FSC need income if it is a non-profit organization?

- FSC has grown to become a viable market driver for conservation, and foundations now prefer to focus on FSC's expansion opportunities or new initiatives.
- FSC has set an ambitious [2026 strategy](#) and, to achieve it, investment is needed in:
 - technology to improve system integrity, impact assessment and efficiency of processes;
 - new climate and ecosystem solutions to encourage investment in sustainable forest management and restoration projects;
 - marketing and communications to promote the true value of forests, strengthen FSC's reputation, build awareness of FSC and generate demand for FSC-certified products;

- value chain development to drive adoption of FSC certification by implementing supply and demand solutions across key value chains (solid wood, fibre and non-timber forest products);
- stakeholder engagement to enhance dialogue to revitalize membership engagement and facilitate strong and equal representation across chambers, groups and regions.
- With the European anti-deforestation regulation (EUDR) formally coming into force in June 2023, FSC is committed to supporting its effective implementation by businesses as well as its enforcement by competent authorities.

Q: How far has FSC achieved its 2026 global strategy?

- FSC's [annual report](#) highlights progress made against all the actions that are driving the FSC 2026 global strategy. To view the 2021 annual report, please visit [this page](#).
The 2022 annual report will be available soon on [fsc.org](#).

Q: How much money does FSC make?

- Financial transparency is a key to integrity and credibility. FSC publishes an Annual Report and Financial Statements on its website every year. The latest version can be found online [here](#).

Q: Will my AAF go up or down?

- An estimate of the new fee can be made by referencing the AAF Policy. The fee can also be provided by a certification body - once the certificate holder shares their forest products turnover with them. An FSC network partner may also provide an estimate, if necessary.

Q: Does the revised fee apply to all FSC certificate holders?

- Yes. Please refer to the new policy available end of September 2023.

Q: Is the AAF for the chain of custody certificate (CoC) different than the AAF for the forest management (FM) certificate?

- FM certificate holders are charged an AAF according to the number of hectares certified.
- CoC certificate holders pay an AAF calculated according to the AAF policy, using the value of certificate holders' forest products turnover in the certification body's portfolio.

Q: When will this increase become effective?

- FSC will revise the AAF Policy V3-3 and related interpretations to reflect the inflation adjustment and changes in the alternative pathways.
- The updated version is published by end of September 2023 with effective date from 1 January 2024.
- Certification bodies shall implement the changes and update the FSC Certification Database as per the determination dates presented in *Annex 3 of AAF Policy V3-3*.

Q: Why increase the AAF by the inflation rate whilst the global economy has impacted companies the most?

- As a non-profit organization, FSC relies heavily on AAF income to invest in maintaining and expanding its activities, upgrading the FSC system and covering its operating costs.
- FSC is aware and understands the economic challenges arising from the instability of the global economy, affecting companies of all sizes and from all industries. As a result, the usual AAF inflationary increase was waived for 2021.



Q: Can't FSC raise money from somewhere else? Certificate holders already pay too much to be FSC-certified, with a combination of AAF, audit fees and the operational costs of reaching FSC's standards.

- FSC does, and will continue to, raise money from other sources, including membership fees, donations and grants.
- To deliver on FSC's 2021-2026 Global Strategy, which includes elements requested by certificate holders, additional funding is needed.
- FSC believes that commercial enterprises that derive value from FSC certification should contribute to supporting FSC's running costs and provide investment for system improvements.

Q: Isn't it better to keep the prices low so that more companies can afford to become FSC-certified?

- Increasing the number of certificate holders without a corresponding increase in revenue will grow the pressure on FSC to deliver activities with relatively less funding – this is not a sustainable model and would not serve FSC's mission of Forests for All Forever.

Q: Wouldn't it be easier to just charge a fixed percentage of a company's forest products turnover?

- The AAF policy strikes a balance between fairness, simplicity and contribution to the FSC Assurance system.

It is not possible to set a fixed percentage across the range of company turnovers that exist within FSC's certificate holder base because it would lead to a huge difference in the fees that companies pay. FSC uses a variable rate that decreases as the turnover classes increase in value.

Please refer to the [AAF page](#) on the FSC website to learn more.

Q: Why increase the AAF by the inflation rate when my total forest products turnover has already increased because of inflationary price increases?

- If the AAF is not just adjusted according to inflation rates, it would only increase by less than 1 per cent for many certificate holders. However, this also means that FSC would not be able to cover its own inflationary cost in most cases.
- As FSC cannot predict the rate of the inflationary price increase for any certificate holder, it would be unfair and arbitrary not to pass on the full rate.

Q: What do companies get in return?

- FSC strives to ensure its value proposition is strong enough for it to be financially attractive for existing and potential certificate holders to remain/become certified. The strength of FSC's value proposition will vary depending on the specific organization and the value chain(s) in which the organization operates.
- In many cases, the value of FSC certification is based on the access it provides to markets. For example, if a major customer has a sourcing policy with a preference for FSC-certified material, then it is beneficial for suppliers to this customer to be FSC-certified. Major organizations such as IKEA and P&G have already adopted a preference for FSC in their sourcing policy. Demand for FSC-certified materials and finished-products is growing; therefore, there is an opportunity for FSC-certified companies to gain extra business by using the FSC trademarks/logo to communicate availability of FSC-materials/products to customers and consumers; your certification body and/or local FSC office can assist you in the use of the FSC trademarks.