



**FSC®
ANNUAL
REPORT
2018**

Financial
report



Towards a financially sound FSC network

FSC International is present in almost 50 countries with the help of its expansive network of national partners, called network partners. Together, we form a network that allows FSC to collaborate closely with its stakeholders on the ground to deliver on our shared mission.

In reviewing the financial flows in and out of FSC, two factors stand out. First, the most important source of income for FSC International is a fee paid by our certificate holders which is used to support the core operations of the FSC system. This is called the Annual Administration Fee (AAF).

Conversely, the biggest expense of FSC International is the so-called Activity Compensation Fee (ACF), where FSC International grants a specified amount to its network partners. This fee supports local service provision to the many FSC stakeholders on the ground by their local network partners. It is the most important income source for the far majority of our network partners, amounting to on average 58 per cent of their income.

As well as the funding allocated by FSC International, network partners supplement their income through sources such as their membership (16 per cent) and fundraising to public and private donors (12 per cent). Looking at expenses, network partners use their income for market development (52 per cent) and forest management-related issues (48 per cent).

To reduce complexity, improve predictability in funding, and create greater alignment and network-wide focus on FSC's strategic objectives, a new funding allocation system has now been introduced. The new allocation system is based on three pillars. Firstly, the amount of certified forest under FSC's responsible forest management scheme. Secondly, the number of chain of custody certifications in the country. And thirdly, network partners receive strategic investment for their specific contribution towards the strategic goals of FSC.

Income sources of FSC network partners in 2018, on average	
FSC International	58%
Membership	16%
Fundraising	12%
Trademark service provider	4%
Service delivery	4%
Others	4%

FINANCIAL REPORT
Forest Stewardship Council, A.C. and Subsidiaries
 Consolidated Statement of Comprehensive Income

	2018 US\$'000	2017 US\$'000
Revenue		
Annual administration fees	29,242	27,772
Donations	1,042	1,126
ASI generated income	5,553	4,719
Commercial services	721	113
Memberships and fees	284	238
Licence fee	-	0
Other	483	822
Total revenue	37,325	34,790
Expenses		
Total staff costs	9,486	7,550
Total travel costs	2,678	3,205
Total third party costs	19,857	21,183
Total back office costs	1,705	1,425
Total costs	33,728	33,365
Net exchange rate gains/losses	168	51
EBITDA	3,765	1,476
Amortisation, depreciation and loss from disposal of non-current assets	- 1,263	- 702
EBIT	2,502	774
Tax expense	- 2,043	- 1,897
Interest	7	13
Exchange gains arising on translation of foreign operations	- 47	137
Profit/loss for the period	419	- 973



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