

# ANNUAL REPORT 2016

**buma•stemra**



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# ABOUT BUMA/STEMRA

The Buma Association (hereinafter 'Buma') and the Stemra Foundation (hereinafter 'Stemra') grant licences to music users and distribute the collected revenues to the copyright owners: composers, songwriters and music publishers. Buma does this for the performing rights, Stemra does this for the reproduction rights. The fact that composers, songwriters and music publishers are united in a collective enables them to promote their interests better; simply because combined they are stronger and can collect their royalties from music users more efficiently.

Buma and Stemra each embodies a separate legal entity. Given the commitment of the Boards of both entities and the shared interest that Buma and Stemra represent, it has been decided to prepare a single Board Report that applies to both Buma and Stemra (hereinafter 'Buma/Stemra'). Even though Buma and Stemra cooperate as one organisation, no group relationship exists because of the strict segregation of economic entity. Consequently, both Buma and Stemra prepare their own financial statements.

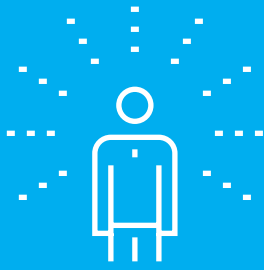
Where Buma/Stemra amounts are mentioned together, it has been done to provide better insight to the members.

As at year-end 2016, 24,487 composers and songwriters were affiliated to Buma and 23,126 to Stemra, 1,263 publishers to Buma and 1,260 to Stemra, and 842 legal heirs to Buma and 833 to Stemra. Buma and Stemra cooperate as one organisation, which means there is one active work organisation under one Board, one Council of Members and one Management. As at year-end 2016, the number of staff was 187.

Buma/Stemra strives to be the best collective to administer the rights of songwriters and composers and represent their interests in a rapidly-changing music world and, as such, promote the development of music in the Netherlands. We therefore focus on working together with umbrella organisations and international copyright organisations. This involves a total of 75 sister societies for performing rights and 50 for reproduction rights. This enables us to also look after the interests of our rights owners abroad.

In 2016, our gross cost rate was 13.7%, while international sister societies vary between 10 and 25%. At 10.8%, the costs actually withheld by Buma/Stemra at the rights owners are considerably lower.

Each year, Buma/Stemra processes the data of some 71,000 live performances, dozens of radio and television stations and a couple of billion streams and downloads. Around 100 licences were issued for streaming and downloading services. Hundreds of licences for background music on websites were issued for radio and more than 200 for TV. Buma/Stemra manages a total of around 142,000 user licences, for example, restaurants and bars, Work spaces and shops and stores.



*Composers  
Songwriters*

## MEMBERS AND AFFILIATES 2016

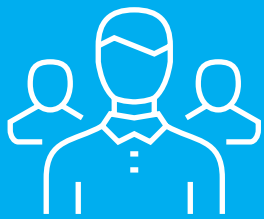
### BUMA AND/OR STEMRA

COMPOSERS/SONGWRITERS: **24,594**

PUBLISHERS: **1,294**

SUCCESSORS: **845**

TOTAL: **26,688**



*Publishers*

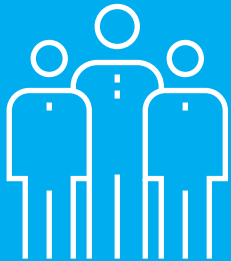
### MEMBERSHIP BUMA

COMPOSERS/SONGWRITERS: **24,487**

PUBLISHERS: **1,263**

SUCCESSORS: **842**

TOTAL: **26,592**



*Successors*

### AFFILIATES STEMRA

COMPOSERS/SONGWRITERS: **23,126**

PUBLISHERS: **1,275**

SUCCESSORS: **833**

TOTAL: **25,234**

# A WORLD FULL OF MUSIC

## VISION

Music plays a valuable role in life. The creators are therefore of vital importance. Songwriters, composers and their publishers are entitled to a fair compensation. We contribute to a world full of music.

## MISSION

Buma/Stemra collectively manages the individual copyrights of songwriters, composers and their publishers. We are convinced that collective management is essential for the value of the copyright.

We ensure optimal collection and distribution of the revenues.

A customer-oriented approach and the customer satisfaction of songwriters and composers and their publishers are leading for us.

By protecting the copyright and by increasing the base of support in society, we contribute to a world full of music together with our members.

## STRATEGY

As a non-profit organisation, we strive for a fair compensation for the members and affiliates and we promote laws and regulations, as well as the interpretation thereof, to protect copyright. We strive for a constant optimisation of the collection and distribution process, also in collaboration with sister organisations.

In a wider sense, we continue to work on the improvement of processes such as distribution, increasing our service-orientation and open communication with all stakeholders. We aim to remain among the most efficient European Collective Management Organisations (CMOs).



22  
ja  
ce  
Rotterdam  
buma

in jazz



festival  
conference

Rotterdam  
24-25 June





## VOIC@ QUALITY MARK DISTRIBUTION AUDIT

In the context of the triennial distribution audit for the VOIC@ Quality Mark for collective management organisations, the distribution rules and regulations and Board decisions about the distribution of Buma and Stemra were continuously reviewed in 2016. The review was performed by the Board in consultation with the Management and various Board and committee meetings. The outcomes of this review included:

### **STEMRA CEASED WITH REPROGRAPHIC RIGHTS ON 1 JANUARY 2016**

The Stemra Board decided to cease on 1 January 2016 with managing reprographic reproduction rights for sheet music and lyrics. As reported, Stemra acquired the management of graphic reproduction rights from Stichting Musicopy in 2011. In the meantime, the publishing associations (NMUV and VMN) have founded the music publishers' federation ('Federatie Muziekuitgevers' – FEMU) to take over the different operations.

### **SERIOUS MUSIC INFORMATION MEETING ON 11 OCTOBER 2016**

On 11 October 2016, the Board held an information meeting on a number of policy developments regarding this music genre, including:

- Redistribution of the collection at music theatres and theatres (the so-called SCHOUW collection) about different distribution sections.
- The Surcharge Serious: a supplement on the distributions in certain 'serious' music distribution sections, paid from the Social-Cultural Fund.

### **SERIOUS MUSIC SHOW LICENCES**

On 9 November 2016, the Board agreed to the per licence one-to-one payment of the amount collected from music theatre performances organised by (music) theatres themselves. The Show scheme with the transitional arrangement will commence as from the distribution for the usage year 2016 (distribution year 2017).

### **SURCHARGE SERIOUS SECTIONS**

As from distribution year 2017 (usage year 2016), Buma will reduce the number of Surcharge Serious sections from 11 to 3: CR (recitals, chamber music), CE (symphony orchestras) and CS (other concert music, jazz).

The Council of Members was also asked to advise on the question of whether or not to fully or partly retain a Surcharge Serious for the HaFa (brass bands and wind orchestras) section based on the developed five serious music criteria and the facts available to Buma/Stemra.

### **SERIOUS MUSIC FRONT-OFFICE REVIEW**

Partly because of suggestions made during the Serious Music information meeting on 11 October 2016, the Board has decided to set up a Serious Music Front-Office Review Committee. This Committee will focus on the front-office: i.e. rates, way of licensing and collection. The Committee consists of rights owners from the work field (experts), the Council of Members and the Board.





*Shops and stores*

### LIVE PERFORMANCES

MORE THAN **71,000** LIVE PERFORMANCES LICENSED.

### RESTAURANTS AND BARS, SHOPS/STORES AND OTHER BUSINESSES

**142,000** VENUES LICENSED



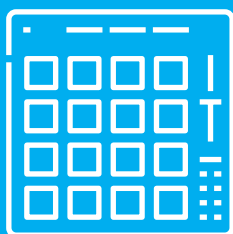
*Online*

### DIGITAL

A TOTAL OF **927** LICENCES IN 2016.

### RTV

**207** RADIO AND TV CLIENTS HAD ONE OR MORE LICENCES IN 2016.



*Radio & TV*

### ONLINE

DISTRIBUTIONS MADE ON **7.5** DOWNLOADS  
DISTRIBUTIONS MADE ON **7** BILLION STREAMS

### RADIO AND TV

TRADITIONAL RADIO AND TV STATIONS:  
DISTRIBUTIONS MADE ON **1,229** BILLION SECONDS



*Airplayclaim*

### AIRPLAYCLAIM

VIA THE SITE AIRPLAYCLAIM.NL, MORE THAN  
**EUR 1.2** MILLION WAS DISTRIBUTED IN 2016.

# KEY FIGURES BUMA

## ROYALTIES BUMA

170,982

## DISTRIBUTION BUMA

159,418

## TO BE DISTRIBUTED COPYRIGHT ROYALTIES BUMA

186,707

## RESULT (BEFORE TAX) BUMA

2,231

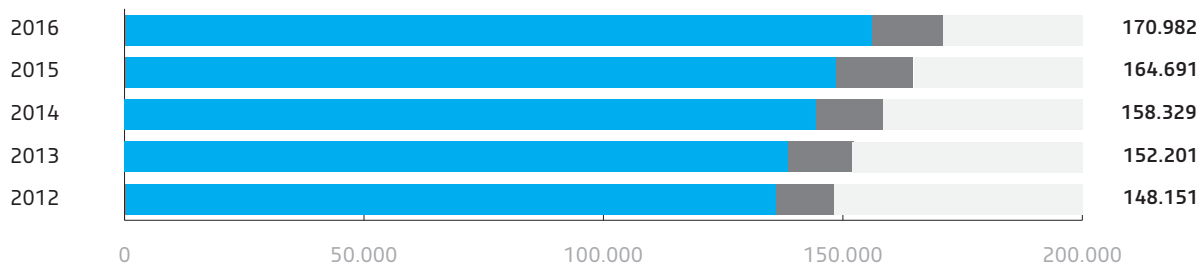
## NUMBER OF EMPLOYEES BUMA

146.8

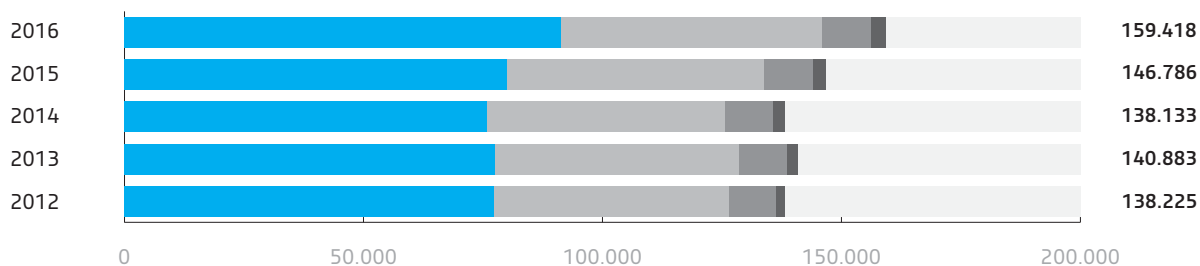
(x EUR 1,000)	2016	2015	2014	2013	2012
<b>ROYALTIES</b>					
Radio, TV and Network providers	70,393	67,297	71,774	69,098	68,853
Live performances	29,799	27,146	24,130	23,380	20,861
Restaurants and bars	15,074	14,554	13,469	13,559	13,483
Work spaces	17,183	17,399	16,828	16,732	17,837
Shops and stores	13,179	13,436	12,317	12,494	12,554
Online	10,128	8,415	5,656	3,092	2,130
<b>Music use in the Netherlands</b>	<b>155,756</b>	<b>148,247</b>	<b>144,174</b>	<b>138,355</b>	<b>135,718</b>
<b>Music use abroad</b>	<b>15,226</b>	<b>16,444</b>	<b>14,155</b>	<b>13,846</b>	<b>12,433</b>
<b>Total</b>	<b>170,982</b>	<b>164,691</b>	<b>158,329</b>	<b>152,201</b>	<b>148,151</b>
<b>DISTRIBUTION</b>					
Rights owners	91,334	80,086	75,779	77,503	77,339
CMOs Abroad	54,535	53,657	49,757	50,943	49,063
Addition to Fund for Social and Cultural Purposes	10,368	10,201	10,184	10,098	9,883
<b>Total</b>	<b>156,237</b>	<b>143,946</b>	<b>135,720</b>	<b>138,544</b>	<b>136,285</b>
<b>Administration fee upon distribution</b>	<b>3,181</b>	<b>2,840</b>	<b>2,413</b>	<b>2,339</b>	<b>1,940</b>
<b>Total</b>	<b>159,418</b>	<b>146,786</b>	<b>138,133</b>	<b>140,883</b>	<b>138,225</b>
<b>COPYRIGHT ROYALTIES TO BE DISTRIBUTED</b>					
Copyright royalties to be distributed at the end of the financial year	186,707	190,060	183,224	173,865	170,873
<b>FUND FOR SOCIAL AND CULTURAL SERVICES</b>					
Disbursements in financial year	11,863	11,581	12,376	12,631	14,734
Funds available at the end of the financial year	2,572	4,067	5,447	7,639	10,172
<b>OPERATING STATEMENT</b>					
Administration fee withheld upon distribution	3,181	2,840	2,413	2,339	1,940
Other income	842	791	791	862	1,320
Balance of administration fee to be withheld in the collection year	14,917	11,069	10,837	8,326	9,557
<b>Total income</b>	<b>18,940</b>	<b>14,700</b>	<b>14,041</b>	<b>11,527</b>	<b>12,817</b>
Management costs	-25,080	-21,237	-20,878	-20,989	-20,088
<b>Total expenses</b>	<b>-25,080</b>	<b>-21,237</b>	<b>-20,878</b>	<b>-20,989</b>	<b>-20,088</b>
<b>BALANCE OF TOTAL INCOME AND EXPENSES</b>	<b>-6,140</b>	<b>-6,537</b>	<b>-6,837</b>	<b>-9,462</b>	<b>-7,271</b>
Financial income and expenses	8,371	1,169	11,521	10,827	14,964

KEY FIGURES	2016	2015	2014	2013	2012
Percentage of actual costs withheld for Online	15.0%	15.0%	15.0%	15.0%	15.0%
Percentage of actual costs withheld for Abroad	5.0%	5.0%	5.0%	5.0%	5.0%
Percentage of actual costs withheld for Foreign Network Providers	10.0%	10.0%	10.0%	10.0%	10.0%
Percentage of actual costs withheld for Other categories.	10.2%	7.9%	7.8%	6.2%	7.2%
Average percentage of actual costs withheld (administration fees as a percentage of collection)	10.6%	8.4%	8.4%	7.0%	7.8%
Management costs (gross) as a percentage of total royalties	14.7%	12.9%	13.2%	13.8%	13.6%
Management costs (gross) as a percentage of total copyright royalties distributed (including administration fees withheld)	14.7%	13.5%	14.3%	14.0%	13.6%
Annual change in operating costs	18.1%	1.7%	-0.5%	4.5%	0.1%
Derived consumer price index	0.6%	0.6%	1.0%	2.5%	2.5%
Number of members and participants	26,531	25,151	23,951	22,850	21,841
Number of members and participants with distributed royalties	26,531	25,151	23,951	22,850	21,841
Percentage of represented rights owners as percentage of the total number of rights owners.	95%	95%	95%	95%	95%
Number of invoiced users	103,000	103,000	106,000	114,000	117,000
Number of employees in FTEs	146.8	151.0	160.3	163.2	169.5

### DEVELOPMENT OF RIGHTS REVENUES BUMA in millions of EUROS



### DEVELOPMENT OF DISTRIBUTION OF COPYRIGHT ROYALTIES BUMA



# KEY FIGURES STEMRA

## ROYALTIES STEMRA

33,895

## DISTRIBUTION STEMRA

31,557

## TO BE DISTRIBUTED COPYRIGHT ROYALTIES STEMRA

45,483

## RESULT (BEFORE TAX) STEMRA

1,837

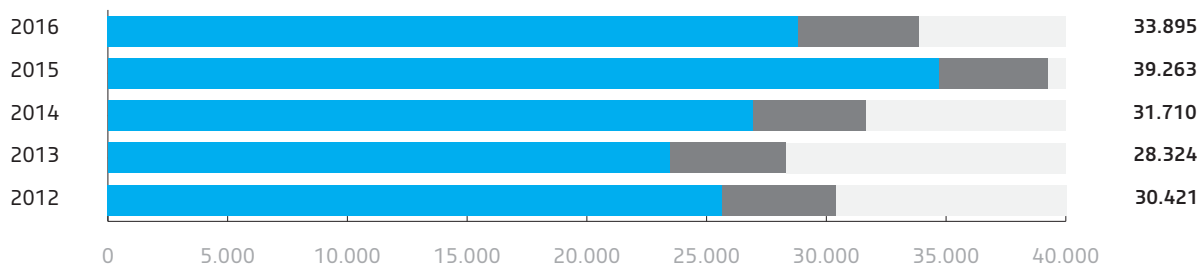
## NUMBER OF EMPLOYEES STEMRA

15.2

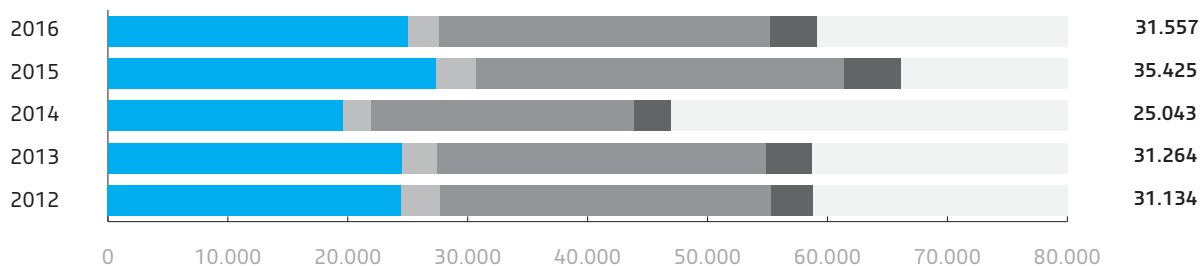
(x EUR 1,000)	2016	2015	2014	2013	2012
<b>ROYALTIES</b>					
Phono-Mechanical right BIEM / Central Licensing	6,192	6,169	6,895	8,119	10,370
PIEB (custom pressing) / Special Licensing	4,922	4,919	5,564	5,366	6,435
Radio & TV	6,970	6,046	5,692	5,419	5,487
Online	4,596	3,793	3,134	2,635	1,755
Private Copying / Public Lending Rights	6,214	13,414	4,631	1,479	827
Reprographic rights	-81	341	1,006	436	770
<b>Music use in the Netherlands</b>	<b>28,814</b>	<b>34,682</b>	<b>26,922</b>	<b>23,454</b>	<b>25,644</b>
<b>Music use abroad</b>	<b>5,082</b>	<b>4,581</b>	<b>4,788</b>	<b>4,870</b>	<b>4,777</b>
<b>Total</b>	<b>33,895</b>	<b>39,263</b>	<b>31,710</b>	<b>28,324</b>	<b>30,421</b>
<b>DISTRIBUTION</b>					
Rights owners	24,993	27,307	19,526	24,447	24,432
CMOs Abroad	2,603	3,363	2,387	2,989	3,227
Central Licensing	-	-	-	-	-
<b>Total</b>	<b>27,596</b>	<b>30,670</b>	<b>21,913</b>	<b>27,436</b>	<b>27,659</b>
Administration fee withheld upon distribution	3,961	4,755	3,144	3,828	3,475
<b>Total</b>	<b>31,557</b>	<b>35,425</b>	<b>25,043</b>	<b>31,264</b>	<b>31,134</b>
<b>COPYRIGHT ROYALTIES TO BE DISTRIBUTED</b>					
Copyright royalties to be distributed at the end of the financial year	45,483	43,145	39,321	32,654	35,594
<b>OPERATING STATEMENT</b>					
Administration fee withheld upon distribution	3,961	4,755	3,144	3,828	3,475
Other income	782	729	690	667	636
<b>Total income</b>	<b>4,743</b>	<b>5,484</b>	<b>3,834</b>	<b>4,495</b>	<b>4,111</b>
Management costs	-2,966	-5,921	-6,585	-6,578	-6,292
<b>Total expenses</b>	<b>-2,966</b>	<b>-5,921</b>	<b>-6,585</b>	<b>-6,578</b>	<b>-6,292</b>
<b>Balance of total income and expenses</b>	<b>1,777</b>	<b>-437</b>	<b>-2,751</b>	<b>-2,083</b>	<b>-2,181</b>
<b>FINANCIAL INCOME AND EXPENSES</b>					
<b>Result (before taxes)</b>	<b>1,837</b>	<b>-129</b>	<b>-2,342</b>	<b>-1,552</b>	<b>952</b>

KEY FIGURES	2016	2015	2014	2013	2012
Percentage of actual costs withheld in the Dutch industry: BIEM	7.3%	7.3%	7.3%	7.3%	7.3%
Percentage of actual costs withheld for Foreign central licensing	3.7%	3.7%	3.7%	3.7%	3.7%
Percentage of actual costs withheld for Background music/ Audio-visual Education and Corporate Productions	20.0%	20.0%	20.0%	20.0%	20.0%
Percentage of actual costs withheld for Radio & TV	20.0%	20.0%	20.0%	20.0%	20.0%
Percentage of actual costs withheld for Audio Visuals TV/ Cinema	12.0%	12.0%	12.0%	12.0%	12.0%
Percentage of actual costs withheld for Audio Visuals Commercials	6.0%	6.0%	6.0%	6.0%	6.0%
Percentage of actual costs withheld for Private Copying/ Public Lending Rights	15.0%	15.0%	15.0%	15.0%	15.0%
Percentage of actual costs withheld for Online	15.0%	15.0%	15.0%	15.0%	15.0%
Percentage of actual costs withheld for Abroad	5.0%	5.0%	5.0%	5.0%	5.0%
Percentage of actual costs withheld for PIEB/ home video/ Imports/ Reprographic rights	25.0%	25.0%	25.0%	25.0%	25.0%
Average percentage of actual costs withheld (administration fees as a percentage of distribution)	12.6%	13.4%	12.6%	12.2%	11.2%
Management costs (gross) as a percentage of total copyright royalties	8.8%	15.1%	20.8%	23.2%	20.7%
Management costs (gross) as a percentage of total distributed copyright royalties	9.4%	16.7%	26.3%	21.0%	20.2%
Annual change in operating costs	-49.9%	-10.1%	0.1%	4.5%	10.5%
Derived consumer price index	0.6%	0.6%	1.0%	2.5%	2.5%
Number of affiliates and participants	25,364	24,092	23,012	21,999	21,114
Number of affiliates and participants with distributed royalties	25,364	24,092	23,012	21,999	21,114
Percentage of represented rights owners as percentage of the total number of rights owners.	95.0%	95.0%	95.0%	95.0%	95.0%
Number of invoiced users	1,500	2,600	2,600	2,500	2,300
Number of employees in FTEs	15.2	14.7	16.6	17.3	18.0

### DEVELOPMENT OF ROYALTIES **STEMRA** in millions of EUROS



### DEVELOPMENT OF DISTRIBUTIONS **STEMRA** in millions of EUROS



# —BOARD AND DIRECTOR'S REPORT

# BOARD REPORT

## INTRODUCTION

2016 was the year in which the Board of Buma/Stemra concentrated on a number of key themes, all while continuing to focus on the continuity of the strategy launched some years ago. In this Board Report, we highlight the themes and explain the Board's role in it.

## APPOINTMENT OF THE CEO

In 2016, Wim van Limpt joined as new CEO. The Board was closely involved in this process, both in the preparation of the profile and in the selection and appointment. The unanimous appointment is a key moment for Buma/Stemra for various reasons.

First, the succession marks the end of a (long-standing) debate about the remuneration of the CEO in the context of the Public and Semi-Public Sector Senior Officials (Standard Remuneration) Act ('Wet Normering Topinkomens' – WNT).

It is also important that the appointment creates momentum and room to launch the organisation into a dynamic period of change. The fact that Van Limpt is one of us means that little training was required to get to know the organisation well. Moreover, the track record in the service department of Buma/Stemra guarantees a strong focus on putting the rights owners first – a key strategic principle. Also, the distance between Van Limpt and staff is small. This is a key prerequisite for us to get the organisation moving and keep it moving.

Van Limpt's starting period as CEO is evidence of a combination of decisiveness, focus and ambition. The open approach and partnership between the CEO and the Board give new impetus to Buma/Stemra and show great professionalism. This all provides a lot of confidence for the future.

## INTERNAL INVESTIGATION

### Reason for the investigation

After taking up position as CEO of Buma/Stemra, Van Limpt identified a number of issues regarding the principles for prepayments to a supplier. In December 2016, a whistle-blower reported indications of possible irregularities with respect to cost accounting, expense claims by a supplier, receivables from PNO Media and the amount of remuneration. These issues and the report were the reason for engaging NautaDutilh to conduct an internal investigation into these matters. Given the nature of the points raised and the topics, NautaDutilh contracted BDO Investigations to conduct a fact-finding investigation.

### Nature and scope of the investigation

The following topics were investigated by BDO as questions/indications:

- I. Questions relating to different cost accounting, which could have resulted in higher costs or lower turnover in the financial statements for 2015 and possibly earlier. Among other things, these relate to:
  - a. Very substantial advance payments to a supplier for services still to be rendered, for which the legal and economic necessity is still insufficiently clear at the moment.

- b. Invoices from a supplier were recognised in the 'accounts payable' in the financial statements for 2015. The invoiced provision appears not to be in accordance with the actual provision. The invoices were credited at a later stage and a new invoice was sent, with the provision relating to a different time frame.

- c. It is suspected that various reserves (for future costs) were overstated on the balance sheet.

- d. Costs that may have been deducted from the turnover so that the costs remained within the bandwidth of 15%.

- II. A number of Buma/Stemra employees claimed expenses that may not be in line with the Buma/Stemra policy. This may concern non-business expenses of employees, including plane tickets, conferences (abroad), training and double claiming of car expenses. These were paid (or possibly paid double) by Buma/Stemra without there appearing to have been a business purpose.

- III. A receivable from PNO Media appears to have been insufficiently monitored and, on the other hand, it is unclear whether justice is being done to the character of an instalment on this receivable (pension reserve).

- IV. Two members of the Director's received a salary increase and a one-off payment instead of a bonus, which means this does not have to be disclosed in the financial statements in the context of the WNT.

- V. In June 2017, the investigation was extended to identifying relevant facts and circumstances concerning (the financial flows of) the lease (agreement) for the premises in The Hague leased by Buma/Stemra.

## Findings

### Re I.

The advance payments to the supplier can be traced to an agreement by letter of 19 June 2015. Under the terms of this agreement, Buma/Stemra has to pay the fees for IT services two years in advance. The reason for agreeing these advance payments appears to have been that the supplier assumed a foreign currency risk that had rested with Buma/Stemra until 19 June 2015. Because of this agreement, Buma/Stemra had an unhedged default risk. These advance payments were actually accounted for and disclosed in the financial statements for 2015.

Two invoices from a supplier were kept out of the regular invoice flow and recognised under prepayments and accrued income in 2015. The invoices were partly credited in 2016 and replaced by new invoices. This resulted in the recognition in 2015 of expenses incurred in 2016. A satisfactory explanation has not been obtained. It appears to involve one incident: no indications were found of irregularities involving other invoices from this supplier. The amount involved is not material.

Buma/Stemra formed reserves and provisions for which no satisfactory substantiation could be found. These reserves and





## RESPONDING SUCCESSFULLY TO CHANGE

“New technology has an enormous impact on the music landscape and, as such, also on the collection of rights. It creates a new reality and, in this new reality, Buma/Stemra must prove that it serves the interests of the rights owners properly. Distributions to rights owners were again higher in 2016, with only a modest increase in the costs.”

Arriën Molema

provisions were kept up in a file called “Overzicht totale ruimte” (overview of total room). The file also contains items designated as “cushions”, which indicates a degree of over-accounting. A supplier was asked in December 2016 to submit an invoice for services not yet rendered with the instruction to state on the invoice “no time frame”, allowing an advance payment to be entered. As a rule, budgetary estimates are made of costs during the year. The “room” on the balance sheet was released in December and was then used for writing down the costs, which had become current at that time. Although this practice is not in accordance with the accounting rules, the impact was not material.

Buma/Stemra paid its supplier the costs against invoice of EUR 1,566,000 (2016) for the so-called “fingerprinting”. Part of these costs was not accounted for as such, but offset against the royalties. In this way, an amount of EUR 1,080,000 was taken from the costs for 2015 and debited against the royalties. For the record, this method has been used since 2005; that is the year in which fingerprinting was no longer directly implemented by the royalty-generating RTV stations.

### Re II.

Nothing was found that supports the indications regarding the claims by and claims behaviour of employees as described above.

### Re III.

The collective value transfer of the Pension Fund Buma/Stemra (“PFBS”) at the start of 2008 resulted in an asset of EUR 4,222,351 due to the fact that the funding ratio of the transferring party (PFBS) was substantially better than the acquiring party (Stichting Bedrijfstakpensioenfondsvoor de Media PNO; PNO Media). The bulk of this asset was used for a direct improvement of the pension rights of all participants in PFBS at that moment (active, sleeping and pensioners) by 4.4% of their rights at the time. The latter represents a value of EUR 2,707,147.

The remainder of this asset (EUR 1,515,204) was deposited with PNO Media and is in reality a contingent receivable of Buma/Stemra from PNO Media and that may only be used for earmarked items. One of the earmarked items is the funding of pension charges if they in any year exceed 15% of the integral salary amount. For the rest, the deposit is available for disposal and this part is called up from PNO Media. This spending of the deposit was discussed and agreed upon by the Board of Buma and Stemra, was approved by the Works Council and has explicitly been shared with the regulator of PNO Media, the Dutch central bank (DNB). Until the 2015 financial year, this contingent asset had not been accounted for in the financial statements of Buma/Stemra, nor had it been reported as an off-balance sheet asset or liability.

From its inception until year-end 2016, the deposit had not been fully utilised, where it had certainly been possible, to counter the costs of that part of the pension premium payments in any year exceeding 15% of the salary amount. Where it did occur, the Works Council, among others, appears not to have been informed on time and/or in full, even though that had been the intention pursuant to the agreements in a letter of 21 May 2008.

In December 2016, an amount of EUR 180,000 was withdrawn from the deposit and paid to Buma/Stemra without having obtained justification for it at the time. This part that had been called up from the deposit as at year-end 2016 was therefore recognised on the balance sheet under cash and cash equivalents but, at the same time, an equally large liability was recognised under accruals and deferred

income. In addition, and off-balance sheet asset and liability was also disclosed in the financial statements for the part of the deposit with PNO Media that had not been called up (year-end 2016 this amounts to EUR 552,118.75), of which EUR 229,180 actually comprises accumulated interest payments on the deposit of PNO Media.

**Re IV.**

The findings from the investigation have not provided any indication that the WNT has not been complied with properly.

**Re V.**

The findings regarding the lease for the premises in The Hague give no reason for questions or comments.

Lastly, the investigation also revealed that in 2015 the Board was not given the opportunity by the then Director's to approve or reject an important agreement with a supplier. That should have happened pursuant to article 8 paragraph 5 of the Board and Director's Rules.

### Effect on the 2015 financial statements

The findings from the investigation pertaining to the 2015 figures have no effect on the financial position and result; it is therefore sufficient to include a note in the 2016 annual report regarding the relevant items in the comparative figures for 2015. The Board concludes that the insight for users into the 2015 financial statements has not been affected and that the comparative figures for 2015 included in these 2016 financial statements give a true and fair view of the financial position and result.

### Mitigating measures

In consultation with NautaDutilh, the Board and the Director's have considered measures that lead to compliance with the accounting rules and greater discipline in providing insight into the costs in the interim, so that the goal of reducing the Director's costs incurred for the collection, management and distribution of the funds can actually be achieved. These measures will also consist of strengthening the financial department and an education programme to internalise the duties and responsibilities of Buma/Stemra as a Collective Management Organisation.

### Subsequent events

Because the preparation of the financial statements of Buma and Stemra was seriously delayed by the investigation, the period under review with subsequent events, but with a financial impact on the balance sheet and/or the operation of Buma and/or Stemra as at year-end 2016 or for the financial year 2016 respectively, has been extended to the current preparation date. This means that, especially with respect to the formation of provisions for bad debt and for exceptional recoveries, the most up-to-date information has been included. On balance, this has had a favourable effect on especially the item "Copyright royalties to be distributed" at year-end for Buma and Stemra compared to the position as presented at the General Meeting in June 2017, in the sense that an amount of EUR 4.7 million extra is available for distribution.

The report contains a number of findings and recommendations that reflect the improvement process already initiated by Van Limpt last year. This 2016 annual report, and as it will be presented to the members at the extra General Members' Meeting in 2017, includes all the necessary adjustments to the balance sheet as at year-end 2016 and the operating statements for 2016 of both Buma and Stemra. The findings from the investigation pertaining to the 2015 figures have no effect on the financial position and result; it is therefore



#### DECISIVE DIRECTOR'S

"We as the Board were closely involved in the selection and appointment of a new CEO. We did this with great diligence because a decisive Director's is needed to successfully tackle the tough challenges we face. We have full confidence in it given the vigour that became evident immediately after the appointment. Our new CEO has a good sense of how the world of Buma/Stemra is changing and eagerly embraces this change. This energy reflects to the rest of the organisation."

Leo de Wit



#### READY FOR INTERNATIONAL PLAYING FIELD

“The music world is globalising rapidly and that is part of the reason why Buma/Stemra is a member of ICE, a partnership of a number of European rights management organisations. ICE means that we can have robust digitisation in the back office to cope with the huge online volumes in streaming. Now that this has largely been completed, Buma/Stemra has a solid starting position to also make front-office Pan-European licence deals. For instance, think of the multi-territorial agreement reached with Sound-Cloud. Rights owners benefit directly from it because the payment for international music use no longer goes through several layers and is therefore also more attractive from a cost perspective.”

Raymond van Vliet

sufficient to include a note in the 2016 annual report regarding the relevant items in the comparative figures for 2015.

#### STRATEGY

With this strategy, Buma/Stemra aims for a collective fight for the value of copyright. These royalties should be distributed to the members as efficiently and effectively as possible. In order to properly implement this strategy, the Board considered the following options in 2016:

1. anticipating the online developments, including through pan-European licensing and processing,
2. a more client-focused approach to the rights owners,
3. further strengthening of the relationships with music users, and
4. closer cooperation with Dutch and European collective management organisations.

The big success of online business models creates both opportunities and threats for rights management organisations like Buma/Stemra, as well as the affiliated members. This change not only places great demands on (new) systems to adequately process the enormous amount of data on music use, it also creates an international playing field in respect of the management of copyrights. After all, geographical borders are increasingly less relevant in their collection. It also creates more opportunities for rights owners to collect royalties from the users of music directly – without intervention of a Collective Management Organisation (CMO). This cocktail of developments means that, more than ever, there is a strong incentive for Buma/Stemra to be competitive and, as such, retain a strong position as a collective. In short: a new reality has been created.

#### SUPERVISION/REGULATION

The Dutch Copyright Supervisory Board (CvTA) supervises rights management organisations and also keeps Buma/Stemra on its toes.

The supervision focuses on how we as an organisation function and also offers rights owners possibilities to lodge complaints; depending on their character, operational and/or topical matters are a responsibility of the Director's, the Board or the General Members' Meeting.

Traditionally, we in the Netherlands have a highly developed system for supervision and regulation. In 2016, an evaluation report showed that major steps had been taken in recent years towards transparency and improving the effectiveness and efficiency. Nevertheless, a Cabinet reaction shows that, politically, this does not have unanimous support.

This is a major issue because any expansion of the supervisory framework in the new reality described above – involving international competition and in which parties also fulfil (part of) the role of a CMO without supervision – could have an adverse effect on the room for manoeuvre to retain a good competitive position. It is key in the current turbulent market developments to have a level playing field at European level. We therefore value the constructive dialogue that we are having with the supervisor.

The CvTA has studied the results of the external investigation and, based on the findings by NautaDutilh, has indicated that it wants an additional investigation.

First of all, Buma/Stemra wishes to support it in the sense that it is advisable that the recently conducted investigation be followed up with a broader investigation into the corporate governance. Buma/Stemra has started discussions about this with the CvTA.



## GOVERNANCE MODEL

The changes over the past years with respect to Buma/Stemra's governance model – with a reduction of the Board, the appointment of an independent chair with no ties to the rights owners or users of music and setting up a Council of Members – have resulted in more strength and consistency in recent years.

A good partnership with the Council of Members is a key aspect of this. This Council of Members serves as a forum for discussing issues related to representation of interests. The Council of Members has an advisory role from the perspective of this representation of interests and therefore contributes to good decision-making by the Board. In 2016, more responsibility was transferred to the Council of Members and the Council, partly because of this, gained a stronger position. This has allowed the Board more time for the big (strategic) lines without having to argue from the specific perspective of a constituency.

The European legislation emphatically focuses on governance, with the organisation of the governance structure of CMOs. One of the key principles is the organisation of the internal supervisory function. The Dutch Supervision Act ('Wet Toezicht') and, following in its footsteps, the CvTA, therefore requires that Buma/Stemra in the short term introduces clear segregation between the supervisory function and the responsibility for the day-to-day management of the company. As announced at the Members' Meeting on 21 June 2017, Buma/Stemra intends to introduce this segregation of responsibilities between the supervisory function and the day-to-day management of the company in the shape of a Board of Trustees (Raad van Toezicht). The Board of Trustees will comprise fewer than 12 people; external expertise and experience will be incorporated to strengthen the control and the supervisory function of such a Board of Trustees. Our aim is to have implemented the new model no later than 1 June 2018 and, to this end, convene a Members' Meeting before the end of 2017 to submit an elaborated final version to the members.

## INTERNATIONALISATION

For years now, Buma/Stemra has consistently focused on international cooperation with other CMOs in combination with further digitisation to efficiently register music use and retrace it to the rights owners. Joining ICE, a joint database established by STIM (Svenska Tonsättares Internationella Musikbyrå, Sweden) and PRS (Performing Right Society, United Kingdom), was a key moment in this. ICE gives us back-office access to robust digitisation to cope with the large online volumes.

In 2013 to the end of 2016, this took a lot of effort from the organisation – entirely in line with the experiences of other CMOs – to achieve a smooth running. We realise that rights owners have also experienced this at first hand and may possibly have experienced some disruption. Now that this has largely been completed, Buma/Stemra has a solid starting position to also make front-office Pan-European licence deals.

The advantage of this for rights owners is clearly evident: now that the payment for international music use (online) no longer goes via several layers but directly to Buma/Stemra, they earn their royalties faster and the costs are also lower. As the Board, we applaud the fact that these so-called multi-territorial licences have become a reality.

## IN CONCLUSION

The Board is charged with managing Buma/Stemra and monitors the director's and the general state of affairs within Buma/Stemra.

A well-functioning rights management organisation demands the best possible performance in three areas: service, transparency and communication. It is not only important that Buma/Stemra manages the rights properly and efficiently, but also that it is open about how it arrives at decisions and also communicates about this clearly. We therefore see the direction that has been taken, in which the Director's plays a key implementing role, as a necessary development. That does not alter the fact that, both internally and in the changing world around us, a lot of work still has to be done.

## INVESTMENT POLICY

Since the 1990s, the royalties that cannot yet be distributed to the rights owners are invested. The aim is to earn a return in a responsible manner to partly cover the operating costs. The return earned on this investment is eventually passed on to the rights owners by charging lower administration fees against the copyright royalties to be distributed. The most important prerequisite is that the risk profile of the securities portfolio is limited. In recent years, the investment profile, with 25% corporate equities and 75% fixed-income equities, has been moderately defensive.

For Buma, the investments are placed with Stichting Buma Beleggingsfonds (BBF) and, for Stemra, with Stichting Stemra Beleggingsfonds (SBF). The investment portfolio of Stemra was liquidated in 2012 under relatively favourable market conditions.

Based on an Asset Liability Management (ALM) study, the core of the investment policy was set by the Board. This study was conducted with the support of a specialised bureau in 2014. The basic rule is a relatively low risk profile with a limited downward risk and a relatively attractive (expected) return. The ALM study produced a norm in accordance with which, under normal market conditions, between 20 and 30% is invested in corporate equities and between 70 and 80% in fixed-income equities. Under more volatile market conditions, the bandwidth for corporate equities lies between 0 and 30% and between 70 and 100% for fixed-income equities.

The composition of investments can be presented as follows:

	SAA 2016	Low-risk regime	High-risk regime
Cash and cash equivalents	0%	0% - 10%	0% - 25%
Corporate equities	25%	20% - 30%	0% - 30%
Fixed-income equities	75%	70% - 80%	70% - 100%

The Investment Committee is responsible for elaborating the investment policy within the set ALM bandwidths. This Committee comprises five members of the Buma/Stemra Board and is assisted by the executive team of the Investment Committee and by an independent external advisor. In 2016, this executive team consisted of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). At the beginning of each year, the Investment Committee drafts an investment plan in which the investment strategy through the strategic asset allocation (SAA) for the year ahead is set out. It also includes the asset managers in which investments are made and which investment categories and products. A key rule here is to spread the investments over several categories, regions and sectors. In addition, funds that do not satisfy the criterion of corporate social responsibility are kept out of the portfolio where possible.

The investment policy is explained each year at the General Members' Meeting and approved with the financial statements and annual report.

In 2016, the fixed-income portfolio had a strategic weighting of around 75%, divided into government bonds with an AA or higher credit rating and an average maturity of less than five years (27.5%), a fund that invests in government bonds of emerging markets (15%) and two corporate bond funds (32.5%). The corporate equities portfolio (shares) in 2016 had a weighting of around 25% and investments were made through an equity fund in a portfolio with a global spread. The criteria for corporate social responsibility according to the United Nations Global Compact are applied here. The entire investment portfolio largely consists of directly marketable securities and/or funds.

The bulk of the investment portfolio is held in euros. Apart from the emerging markets, where investments are not in euros or where there is no hedging to the euro within the relevant investment fund, the largest non-euro positions are hedged by means of three-month forward exchange contracts.

Because of the wide spread and the limited position in shares, the risk profile of the investment portfolio as a whole is relatively low. In 2016, the investment portfolio achieved a return of 4.14% (2015: 0.66%). Both the fixed-income and the share portfolio have contributed positively to the achieved return. In the case of the share portfolio, the return reflects the general increase of the markets. The returns on the fixed-income equities are partly explained by the interest rate, which dropped in 2016, increasing the value of the held portfolio. Despite the drop in interest rates leading in the short term to a value increase, lower interest rates in the long term mean that the revenues from coupons decrease.

Buma/Stemra's vision for 2017 is that growth of the world economy will be modest but stable and that interest rates will remain relatively low. This expectation of relatively low interest rates is not only because of the actions of the central banks, but also because of the demographic developments in emerging countries.

# FOREWORD CEO

It goes without saying: whoever composes music or writes lyrics has to be rewarded if someone else uses and enjoys it. Buma/Stemra has a pivotal role in the collection and distribution of the income from copyrights. Our aim is therefore also quite simple: to maximise the royalties for the rights owners – composers, songwriters and the music publishers – and to incur as little cost as possible in the process.

However simple this goal may be, implementing it is sometimes quite complex and difficult. This cannot be seen separately from the rapidly changing music landscape. The administrative processing of billions of online streams demands an entirely different IT capacity than in the past, and the explosive growth of this segment looks far from over; there are increasingly more online businesses with corresponding new business models, and the current copyright laws do not always serve the purpose well; national borders are no longer a factor since many of these companies operate internationally; and transparency is greater than ever before, with the side effect that conflicts of interest between the makers and users of music are also becoming increasingly clear.

This complexity, however, does not affect the role of Buma/Stemra. In the new music landscape, too, it is our duty to ensure that the rights owner can maximise the benefits of the rights to his/her work as easily and efficiently as possible.

That said, the manner in which we do that is certainly changing drastically. First and foremost because the advent of online streaming puts entirely different demands on our IT capacity, which has to keep up with the developments to be able to map music use and ensure it is properly settled financially. Besides this technical challenge – where strides have been made in recent years – there is also something else at play. As an organisation, Buma/Stemra will also have to be (much) more agile in order to keep responding to change, will have to have a greater outward look and be more focused on collaboration. We have to reinvent ourselves as an organisation. Only then will we be in a position to also serve the interests of the rights owners well in the future.

Moreover, in some cases it can even mean that Buma/Stemra personally does not play any operational role in the collection and distribution for a rights owner. If the maker and user can work things out without our intervention – e.g. through the use of new technology and/or direct contracts – then that is fine. Because that, too, contributes to our goal: optimising the income for the makers.

Whatever the case, we are in the middle of a challenging change. And change never happens by itself. We are determined to make a success of it and have launched actions on a broad front, for which we stick to a number of key principles.

## UNITED YOU ARE STRONGER

In the ‘old world’, a collective rights management organisation could easily go it alone. That time, however, is behind us. We are now fully committed to collaboration because we can look after the interests of the rights owners much better with partners. This means, for instance, that we are working very closely together with management

organisations from other countries so together we can realise the technical solutions for processing the huge online volumes. It also means that we are working together with market parties to facilitate innovations. Another good example of collaboration is the new licensing scheme for events. This has been brought together with market players and is a model of how we would like to work.

## LOOK OUTWARDS

Buma/Stemra does not make any profit; we pay all the income – less our own expenses – to the creators. But that does not mean that we as a business should not behave as such. Particularly now that the music world is changing so drastically, that is essential. We must behave as an organisation with an “external focus”. Decisiveness is key in this: we analyse the impact of change and translate it into improvements in our own work processes.

An example of this decisiveness is the recent pan-European deal with SoundCloud that responds to the globalisation of the music landscape. SoundCloud now has a licence deal with Buma/Stemra for the whole of Europe, which benefits all parties. It means more transparent business practices for SoundCloud, and more income for the rights owners, which can also be distributed more rapidly. In the old situation, where SoundCloud had to make deals with numerous organisations, the costs were higher and that then left less for the rights owners.

## INNOVATION IS A MUST

If we claim to be a real business, we must also renew ourselves. This we can achieve by constantly asking ourselves how and where we can add more value. And then we have to respond to that with innovations. That is no luxury but purely necessary, because our sector can also face disruption, as we have seen, for example, in the taxi and hotel sector in recent years. A party that develops with smart technology can easily use it to take over the role of a rights management organisation and even improve it. The real question is not if it will happen, but when.

We therefore have to try and ‘disrupt’ ourselves, instead of waiting for someone else to do it. With this attitude, new opportunities will come floating to the surface. One of the domains that offer opportunities is Big Data. We have large quantities of data on music use, down to finest level of detail. Provided it is analysed and visualised correctly, this data has enormous value for the rights owners. After all, it offers them insight into which works are doing well – and where, when and why – and they can respond to it.

Something completely different is the blockchain, a new concept made famous as the mechanism behind the crypto currency Bitcoin. In the long term, blockchain could be an amazing concept for radically digitising the collection of rights without involving a single intermediary between maker and user. We are not there yet by a long stretch, but it is important to start gaining experience with it on a small scale.

## AGILITY IS ESSENTIAL

The music world is constantly changing and there is no blueprint for

the future. We will therefore have to continue responding to and anticipating changes; experience with what works and what not. In other words: do is the best strategy.

And that demands agility. It takes some getting used to for an organisation that normally thinks in relatively fixed structures and processes. The challenge we face: don't think from the possibilities/constraints of legal prescriptions, but from developments on the market.

Behind the scenes, we are working on a new structure for our organisation. This not only foresees a levelling, but especially also clearer ownership and responsibilities. At the same time, there is also administrative renewal: a new governance model also offers more possibilities at the top of the organisation to quickly and flexibly respond to opportunities and challenges.

Last but not least, it is mainly also about the right organisational structure in which employees are challenged to demonstrate decisiveness together. We are also working on change on that front. In our view, a new working environment is part of it. At the end of 2017, we are therefore moving to a cheaper building that is not only more fitting to our image, but also, from a working environment perspective, is more conducive to openness, collaboration and external focus.

## IN CONCLUSION

We are aware that Buma/Stemra has not always impressed the outside world in recent years. We must communicate better about what we do to prevent misconceptions in the market. We are also working on that. We are transparent about what we do and why we do it. The best way to improve a reputation is simply to do better. The Director's regrets that the findings from the internal investigation, despite a focused media strategy to prevent it, became public without in an uncontrolled way, which wrongfully created the impression that it involved 'fraud in the millions'. The Director's does not deny the seriousness of the findings, but there is no evidence that money had been wrongfully withdrawn from the assets of Buma/Stemra. It was also found that, regarding the annual reporting prepared for 2015, different adjustments had indeed been identified, but that these will not result in restating the 2015 figures in that report where they are compared to the figures for 2016.

During the process of improvements, questions were also raised about the financial statements and financial reporting that could not be answered internally. It was therefore decided to have independent, external parties conduct an internal investigation to analyse the financial accounts. The investigation revealed that the Board was not properly involved in major financial decisions in the past. There were also cases of not adhering to the accounting rules, as a result of which insight into the cost structure had been impeded and, as now appears, reserves and provisions had been formed without sufficient basis or to an excessive extent. It has also become clear that, in the presentation of the costs of a major supplier service, the costs were wrongfully offset against the royalties for many years. Finally, the long-standing utilisation of the deposit with PNO Media had not been accounted for.

The outcomes of the investigation are regrettable, but the questions hanging over us have now been answered and have resulted in adjustments in these 2016 financial statements of Buma and Stemra. Measures are also being implemented to rectify the mistakes made and to prevent them from recurring in the future. The report contains

a number of recommendations that reflect the improvement process launched last year already. The investigation is the reason why the financial statements have been finalised later than normal.

At the same time, the investigation outcomes confirm that the right questions had been asked and that we are now on the right path. The developments and outcomes have a huge impact on the employers of our organisation. And yet, precisely their effort has enabled us to have taken the first steps now towards a new organisation and a new way of working.

We will continue to pursue that with vigour in 2017 and 2018. Our priorities are to get our house in order and transform Buma/Stemra into a flexible, innovative organisation with an outward focus. That will ensure that we also in the future continue to perform our core task optimally, i.e. ensuring optimum benefits from rights for our members at the lowest possible cost.

**Wim van Limpt**  
CEO



# DIRECTORS' REPORT

Buma/Stemra is there for the rights owners. Our aim is to maximise the royalties for them and, in the process, use the resources as efficiently as possible. We emphatically do that in partnership with other parties. The world around us is changing, including as a result of digitisation, and it is therefore also vital to respond well to these changes. Below, we look at the most important current developments and how we align our policy to them.

## 1. COMMITTING TO BETTER INFORMATION FOR QUICKER AND BETTER DISTRIBUTION

Buma/Stemra strives to pay rights owners what they are entitled to as soon as possible. A key part of Buma/Stemra's work is then also to map music use and to link it to the database in which the pieces with their rights owners have been entered. This sometimes requires manual work, but more often an advance IT system that can cope with the high volumes and great complexity. A well-oiled machine for the recognition and processing of music use, however, does not guarantee quick and full payment of rights. As a collective management organisation, we largely rely on information from third parties.

On the one hand, we depend on accurate and complete information about the works in our database. We can only pay out the collected revenues once we know who the rights owners of works are. On the other hand, we must have quality information about the usage of music in the different channels. Part of that we have in our own hands, and for part of it, we depend on other parties.

Sometimes, incorrect information or information that only becomes available late are unavoidable in the processing of many millions of numbers. And that sometimes also means it is unavoidable that rights owners are only paid out that they are entitled to after the usage of their music.

Fortunately, both in the field of database and music use, we can also deploy initiatives to improve the information and the processing and thus improve the speed and quality of distribution:

### **Better information about the works in the database**

The better, quicker and more complete a rights owner enters his or her works in our database, the better Buma/Stemra can match the used music with it. By bringing this 'metadata' in order, members personally have a lot of influence on their royalties and payments. As an indication: currently, 7% of the music use cannot be paid out directly because of the absence of (full) metadata. This does not mean that the relevant members miss out on income, but it certainly causes delay and may require (expensive) manual actions to trace music use.

Our role is to make it as easy as possible for rights owners to properly document their works in the database, which is why we are constantly working on improve the portal. Various operational improvements were implemented in 2016. We aim to launch a completely revised portal at the beginning of 2018. This should make it a lot more user-friendly for the rights owners. By using a different set-up in the architecture, the portal then also will not depend on the large underlying system. Disruption in that large system will then no

longer have any noticeable impact on the service delivery to the rights owners.

In the longer term, we aim to make the registration of works even easier, fully in line with how digital services right across society are offering unparalleled convenience to consumers.

Another relevant service in this context is the website [airplayclaim.nl](http://airplayclaim.nl). Rights owners can see here which works have not been recognised after usage on the radio or TV and still claim these works. This brings 100% recognition another step closer, but does require effort from the rights owner personally.

### **Better information about music use**

Music use is highly diverse. The manner in which information about the use of music reaches us is possibly even more diverse.

For example, in the case of radio & TV – still one of the main sources of income for many members – our distribution not only depends on the recognition of the used works but also on the turnover figures that are decisive for the remuneration of rights owners. These turnover figures of broadcasters are not directly available and often only reach us some time after the end of a financial year. This has an impact on the speed of distribution.

For the use of live performances, we are provided with setlists – usually manually and sometimes even handwritten.

Online music services involve an entirely different challenge: this is about the recognition and settlement of billions of streams, which requires state-of-the-art systems that can cope with these volumes and process them reliably. Because all rights management organisations face this challenge, and because streaming by definition requires an international approach, it makes sense to tackle it by means of a joint database. We are doing this in partnership with the Swedish/UK International Copyright Enterprise (ICE). It eventually saves us – and therefore the rights owners – on costs because setting up a back office for this online platform with massive volumes and low rates under own management is far more expensive.

The common thread here is also that we want to optimise the information provision and then with our partners. A topical example is the introduction of the setlists app through which setlists of live performances can very simply be reported using a smartphone. That is more convenient for the music user, ensures quick processing in our system and thus also for more adequate distribution to rights owners.

## 2. GETTING MORE VALUE FROM OUR SYSTEMS FOR THE RIGHTS OWNERS

Recent years has seen major steps in improving the system for the recognition and processing of music use. This is expressed, among other things, in the high number of distributions (payment moments to members). In 2016, 100 distributions were run. We continue to work in refining and optimising this system.

It is also becoming clearer that not only financial income, but also insight into music use, is greatly valued by the rights owners. Through the digitisation of the company, virtually everything is measurable, and this information is a key source of information, also in the music industry. Rights owners can analyse how and why their work is doing well and even gear their efforts to it. Buma/Stemra is therefore not only committed to doing the financial settlement for rights owners well, but also to offering them new possibilities to use data about their music use.

To this end, we aim for a modular approach of systems because this involves entirely new dynamics. The system for financial settlement by definition lags some time behind the music use; however, the data (analysis) of the music use can be shared rapidly (or even real-time) with members.

In a sense this is analogous to an oil tanker surrounded by small speedboats. The oil tanker is the large hub for the financial settlement and has to keep a steady course. The speedboats are the new possibilities arising from digitisation and respond rapidly and flexibly to new opportunities.

### 3. STAYING COMMITTED TO PROMOTING DUTCH MUSIC

Dutch music is doing very well, also on the international stage. Buma Cultuur does everything on behalf of rights owners to further stimulate the increasing use of Dutch copyright. This is done with a programme of activities that are viable and attractive to a broad public. Examples include Amsterdam Dance Event (ADE), inJazz, Buma NL and Eurosonic Noorderslag.

We also use different means to promote Dutch music, not always visible, but it is equally important to ensure that people in the music world do business with one another. To connect people, we use our extensive international network; thus we ensure that publishers and parties with an interest in Dutch music meet each other. One of these perhaps less high-profile activities is then also to promote the use of Dutch music (copyright) by participating in international trade missions.

#### Working together with partners benefits everybody

Focusing on collaboration with partners is the best way to realise our aim – a wider use of Dutch copyright. A prime example is ADE. Years ago, Buma Cultuur initiated this event, which has gained more and more (international) recognition over the years. Our role in the organisation of the event is now limited, partly because partners invest in the further expansion of ADE. That said, we do keep a keen eye on parties that organise activities under the banner of the ADE label without them being official partners of ADE. Eurosonic Noorderslag – the main music platform for European rock music – also involves a partnership between parties. Precisely these partnerships make our events so successful.

The focus on collaboration is therefore good for the success of the events – and thus for the promotion of Dutch music – but it also has another advantage: it ensures that we can spend our own resources as effectively as possible. The budget in 2016 was EUR 4.0 million, EUR 1.5 million less than two years before, while the number and size of events have grown. We are actively seeking parties that would like to invest and that could, for example, also mean that events may be organised in different cities over time, if there is, say, more support and/or willingness to invest.

In other words, we do more with less by focusing on partnerships – e.g. with brands that would like to be associated with our events. We also keep our own organisation resolute, small and flexible – including through timely project organisations – and we remain critical about all expenses.

#### The youth is the future

The basis for a strong position for Dutch music lies with the youth. If we stimulate an interest in our music among the youth and teach them musical skills, their talent will later pay for itself in the attractive works that also have an international resonance. With this in mind – and the vacuum left behind by a retreating government in this field – we set up the Buma Music Academy (BMA) some years ago. The initiative is all about exciting and modern music teaching at high schools. It is an inspiring online curriculum around pop, hip-hop, classical and dance music that, after a start at 50 schools, has now gained a permanent place at 650 schools. Here, too, we are looking at ways to have this role filled as far as possible by (market) parties.

### 4. TOGETHER WITH PARTNERS, WE ARE WORKING ON NEW POSSIBILITIES

Buma/Stemra wants to offer market parties the room to keep developing themselves. We therefore value good partnerships with them to give room to new initiatives and/or business models, for example, with an experimental licence.

This collaboration is also key to ensuring that arrangements can count on sufficient support. A good current example of how we see this partnership is the development of the licensing scheme for live music. Not everybody was happy with the existing scheme because granting volume discounts was seen as non-transparent and because it could lead to unfair competition between large and small parties on the live market. The Copyright Supervisory Board also thought this scheme needed to be changed.

The new rates system puts an end to the identified drawbacks. Volume discounts are still granted on the rates, but the scales for these discounts are applied per event, so small and large organisers receive the same discount under the same conditions. This level playing field is the outcome of a positive dialogue with the relevant parties and is budget neutral. Moreover, this dialogue resulted in better agreement on, among other things, the submission of setlists and the honest handling of income from camping at events.

### 5. BETTER AND QUICKER RIGHTS MANAGEMENT OF PAN-EUROPEAN SERVICES

One of the elements of the new European regulations – more specifically the European Collective Rights Management Directive of 2014 – concerns the so-called multi-territorial licensing of music. It covers agreements about the repertoire of the rights owners affiliated to us with online music platforms that offer entertainment in several countries (such as iTunes or Spotify). The benefit of multi-territorial licensing is that it then no longer requires any other European management organisation in the information provision and payment. Rights owners therefore get their money earlier, at lower costs, and then the link between the streaming of music and royalties is very transparent.

We concluded the first contract in this context in 2015 with iTunes (licence for downloads in the UK, Germany, France, Belgium and Hungary); this was followed in 2016 by an agreement with the new streaming service of SoundCloud. Buma/Stemra now represents the

rights for music use in France, the UK and Ireland, the countries where SoundCloud first introduced its streaming service. When SoundCloud adds other countries, the agreement will also be valid there.

Our wager is that several parties will follow suit in the years ahead. We emphatically do not see the advent of pan-European licensing of online usage as an obligation, but especially as an opportunity to strengthen our clout and so to retain a powerful position. Here, too, it is directly in the interest of our rights owners: a strong Buma/Stemra that can face the competition with other CMOs also translates into maximum income for their works.

## 6. STANDING UP FOR A STRONGER POSITION OF RIGHTS OWNERS

Legislation by definition lags behind social development and that effect can also be seen in the music world. Recent years have seen different examples of organisations not paying any rights on music made available via their platform, for example, with online initiatives involving user-generated content (such as Facebook). The relevant market parties then argue that they themselves do not offer any

music and, in their view, they are not obliged to pay rights. Based on the relevant case law, other ways of using music online also do not always qualify as publication in the legal sense of the word. The case law shows that legal bodies, when considering such cases, largely rule from a technical perspective, which can cause enormous damage to the interests of rights owners. This is about an important dossier that has to be tackled emphatically at European level. Together with other parties, Buma/Stemra therefore also supports the lobby to introduce legislation that results in payment for rights owners.

## 7. BUSINESS DEVELOPMENT

The world is constantly changing, including through technological developments. That demands innovations. In partnership with other parties, we encourage this innovation, e.g. through the Buma Music meets Tech programme that supports, encourages and accelerates the growth of start-ups. Buma Music meets Tech offers them a platform for promoting to professionals and public, for example. The need for innovation also applies to Buma/Stemra itself. So we are exploiting the opportunities that, for example, blockchain offers and, together with researchers of the Free University of Amsterdam, we are looking into the possibilities that data (analysis) offers.

# SIGNALS FROM COUNCIL OF MEMBERS

Buma/Stemra is there for the affiliated composers, songwriters and their music publishers. It is vital to keep in touch with these different groups. After all, the Board and the Director's can only look after their interests properly if they know what the issues are. It is equally important that members are properly informed about what Buma/Stemra is doing. The Council of Members serves precisely as this bridge between on the one hand the members and on the other hand the Board and the Director's. Advising the Board spontaneously or upon request contributes towards better decisions. During a regular meeting – one of ten in total in 2016 – we picked up some signals on how the Council of Members fulfils its function.

## **On the collective:**

“There is still a lot of misunderstanding about what Buma/Stemra is. Someone recently predicted the end of Buma/Stemra since we, as songwriters and composers, no longer need any ‘middleman’ and can even cut deals with the users of music. But Buma/Stemra is not at all an intermediary: We as members are Buma/Stemra. Precisely because we are united we gain in strength, and that is par for better deals with music users. Indeed, now that the music landscape online is fragmented, this unity – i.e. the collective – is hugely important.”

## **On the club feeling:**

“The members’ background is totally different, but we are all part of the same club. If you want to nurture that club feeling and let it grow, you have to make sure that the distances are small and appear small. That forms the basis for a good relationship with the Board and Director's.”

## **On the importance of good information:**

“We as the Council of Members meet both formally and informally with the Board and we would like to be kept informed about what is happening as best as possible. It is quite simple: the better informed you are, the better we can reach good decisions, which is to everyone's benefit. “The Board agrees with that and keeps focusing on more open and transparent communication with us. The atmosphere is without a doubt constructive.”

## **On where there is room for improvement:**

“Members would sometimes like to see more speed. That makes perfect sense, but some major themes, such as improving the portal or the debate around the Surcharge Serious, simply take quite a lot of time. A more rapid response to smaller issues is often possible. We actively encourage our members not to hesitate to share questions or ideas with us, even if it concerns small matters. We can then put issues on the Board's or the Director's agenda and explore in mutual consultation what the options are.”

## **On contact with the constituency:**

“How do we ensure that we stay in touch with the constituents? This largely happens by itself because we do bump into each other in the scene. We also have a prominent presence at events such as Eurosonic Noorderslag, ADE or inJazz. Plus, we organise information evenings and workshops. We also have an active Facebook group, where we regularly talk to one another and receive questions and comments. We actively call on members to approach us with input and ideas on how to do things better or differently.”

## **On diverse interests:**

“The Council of Members has different views on some themes. This is entirely logical because it is no doubt a group with different backgrounds and interests. It is often very instructive to understand each other's worlds in those types of debates. In these cases, there is no unanimous advice to the Board.”

## **On the mission of the Council of Members:**

“We are committed to the preservation of a strong collective with an eye for the interest of the individual, where each author and music publisher feels represented.”

# — FINANCIAL RESULTS, MARKET DEVELOPMENTS AND OUTLOOK

# ROYALTIES BUMA/STEMRA IN 2016

## BUMA

The copyright royalties were received from the following categories:

(x EUR 1,000)

	Budget 2017	Realisation 2016	Budget 2016	Realisation 2015
Restaurants and bars	13,671	15,074	13,696	14,554
Work spaces	16,452	17,183	16,523	17,399
Shops and stores	12,677	13,179	12,740	13,436
<b>TOTAL GENERAL LICENCES BUMA</b>	<b>42,800</b>	<b>45,436</b>	<b>42,959</b>	<b>45,389</b>
Radio, TV and Network providers	65,001	64,629	66,006	67,297
Live performances	28,163	29,863	25,386	27,146
Online	13,686	10,113	8,190	8,415
Abroad	15,750	15,226	15,500	16,444
<b>TOTAL BUMA</b>	<b>165,400</b>	<b>170,982</b>	<b>158,041</b>	<b>164,691</b>
<b>TOTAL STEMRA</b>	<b>29,096</b>	<b>33,895</b>	<b>26,590</b>	<b>39,263</b>
<b>TOTAL BUMA/STEMRA</b>	<b>194,496</b>	<b>204,877</b>	<b>184,631</b>	<b>203,954</b>

Change in presentation from 2016 financial year in connection with the costs of fingerprinting.

Buma and Stemra introduced a change in presentation in their 2016 reporting in connection with the so-called fingerprinting costs. Fingerprinting allows music on different stations to be recognised and analysed. This provides data that is essential to the distribution of copyright royalties. Until the end of 2015, part of these costs in the operation of Buma and Stemra was offset against the corresponding copyright royalties received. The main reason for this offsetting was that until 2006, the relevant stations themselves provided the fingerprinting services and the costs were therefore directly netted against the copyright royalties to be paid. However, the fingerprint service has since been provided by other parties and – because of the offsetting – both copyright royalties and costs were presented too low. From the 2016 financial year, the relevant parts of the shared costs of fingerprinting for Buma and Stemra (EUR 1.1 million in the ratio 90/10) are no longer offset against the income. This presentation change does not affect the operating result of Buma and, because of the method of unchanged administration fees, Stemra sees a small decrease of EUR 0.1 million in the operating result. As a result of this presentation change, the copyright royalties are initially increased by EUR 1.1 million, but because of the increased administration fee upon collection at Buma, the effect on the balance sheet item “Copyright royalties to be distributed” is virtually zero and, at Stemra, it leads to an increase of EUR 0.1 million as at year-end 2016. This presentation change has not been incorporated in the 2015 comparative figures, but it would lead to exactly the same adjustments in the 2015 operating statement and the item “Copyright royalties to be distributed” at year-end 2015.

Buma collected EUR 171.0 million in 2016, which is EUR 6.3 million higher than in 2015. EUR 1.0 million of this increase for Radio and TV was the result of no longer offsetting the collected copyright royalties against the fingerprinting costs. The increase for Radio and TV is also

caused by the fact that long-standing negotiations with a number of large market parties regarding royalties have recently been settled or that, based on current knowledge, these negotiations are now assessed more positively. This results in additional royalty revenues from previous years.

The amount received in royalties is higher than in 2015 for almost all categories, except for the royalties originating from abroad. The latter is due to the fact that the amount in royalties collected abroad for Dutch songwriters and composers was much smaller in 2016 than in 2015, when they had several major hits abroad. The long-term trend of copyright royalties originating from abroad remains positive.

As in previous years, Buma’s copyright royalties from the live performances market again increase in 2016. A large part of this increase in royalty revenue is due to the increase in the number of music festivals, as well as the extension of these festivals into multi-day events. Besides the increase in the royalty revenue from festivals, the number of theatregoers increased in 2016 and there were more cinema goers in 2016 than in 2015. The improved submission of setlists and playlists also means that Buma has better insight into smaller performances and therefore realises more licences.

The increase of royalty revenue from the online market is primarily the result of the strong increase in online subscription services. This includes both the music streaming services and the VOD services. This royalty revenue from downloads in 2016 did drop back compared to 2015, but this drop is more than offset by the increase in the streaming segment.

The royalty revenue from retail outlets and work spaces decreased slightly in 2016 compared to 2015. The decrease for retail outlets is mainly the result of the bankruptcy of a number of major chain stores.

In the case of work spaces, a number of large institutions switches to royalty-inclusive 'music'.

The royalty revenue from restaurants and bars increased by EUR 0.5 million compared to 2015.

The Buma budget for 2017 is EUR 5.6 million lower than the realised royalty revenue for 2016. The royalty revenue from the Online category is expected to grow significantly and the royalty revenue from abroad

is also expected to increase, but for the other categories a drop in royalty revenues is expected. This expected drop for radio and television in 2017 is exacerbated by the fact that negotiations with a number of large market parties regarding several collection years were settled in 2016, or that, based on current knowledge, these negotiations are now assessed more positively.

## STEMRA

The copyright royalties were received from the following categories:

(x EUR 1,000)	Budget 2017	Realisation 2016	Budget 2016	Realisation 2015
Phono-mechanical right BIEM / Central Licensing	4,900	6,192	5,050	6,169
PIEB (custom pressing) / Special Licensing	3,806	4,922	3,710	4,919
Radio & TV	6,321	6,970	5,340	6,046
Online	5,359	4,596	3,530	3,793
Private Copying / Public Lending Rights	4,460	6,214	4,460	13,414
Reprographic rights	-	-81	-	341
Abroad	4,250	5,082	4,500	4,581
<b>TOTAL STEMRA</b>	<b>29,096</b>	<b>33,895</b>	<b>26,590</b>	<b>39,263</b>
<b>TOTAL BUMA</b>	<b>165,400</b>	<b>170,982</b>	<b>158,041</b>	<b>164,691</b>
<b>TOTAL BUMA/STEMRA</b>	<b>194,496</b>	<b>204,877</b>	<b>184,631</b>	<b>203,954</b>

In 2016, Stemra's royalty revenue decreased by EUR 5.4 million to EUR 33.9 million compared to 2015. This decrease in royalty revenue is caused by the considerable decrease in Private Copying royalties in 2016 compared to 2015. In 2015, in fact, a large portion of the settlement amount of Stichting Thuiskopie with the Dutch State was paid to Stemra, resulting in exceptionally high Private Copying royalty revenue in 2015.

The royalty revenues from the categories of Phono-mechanical rights BIEM/ Central licensing and PIEB (custom pressing)/Special Licensing in 2016 are practically unchanged compared to 2015. This is partly because of modest windfalls at some provisions. There is an underlying shrinking market for mechanical rights, particularly for CDs.

The royalty revenues for the categories Online, Radio & TV and Abroad increased significantly compared to 2015. Despite the smaller download market, the royalty revenue for Online increased. This is because the streaming market increased strongly in 2016 and this contains a mechanical recording element of 25%.

At Stemra, too, the increase in the royalty revenue for Radio & TV is due to the settlement of the negotiations with several large market

parties, or due to the fact that, based on current knowledge, these negotiations are now assessed more positively. So this generates additional royalty revenue from previous years. At Stemra, too, the change in presenting fingerprinting costs (no longer offsetting against income) also led to a modest increase of EUR 0.1 million in copyright royalties received from Radio and TV in 2016. The increase in royalty revenue for the Abroad category is mainly the result of higher final settlements for previous years.

Stemra's budgeted royalty revenue for 2017 is EUR 4.8 million lower than the realised royalty revenue in 2016. This decrease is mainly the result of the drop in mechanical recording, which is continuing both in the Netherlands (PIEB and BIEM) and abroad. Moreover, the budgeted amount for home copy is lower than the receipts in 2016 because the reserve for Stichting Thuiskopie was released in 2016 and a similar distribution is not expected in 2017.



## OPERATING COSTS BUMA/STEMRA 2016

The expenses of Buma/Stemra can be broken down as follows:

(x EUR 1,000)	Budget 2017	Realisation 2016	Budget 2016	Realisation 2015
Personnel costs	13,549	13,130	13,506	13,476
Accommodation expenses	1,178	1,044	1,139	1,130
Amortisation and depreciation	1,719	1,553	1,999	2,318
Other expenses	14,814	12,319	12,871	10,234
<b>TOTAL BUMA/STEMRA</b>	<b>31,260</b>	<b>28,046</b>	<b>29,515</b>	<b>27,158</b>

The joint operating costs of the management organisation Buma/Stemra are EUR 28.0 million, which is an increase of EUR 0.8 million on the costs for 2015. This increase is the result of different components.

The biggest increase is in "Other expenses", which is EUR 2.1 million. The presentation change for the costs for fingerprinting means an increase in "Other expenses" of EUR 1.1 million in 2016 compared to the unadjusted figures for 2015. This leaves an actual increase of EUR 1.0 million in "Other expenses". The increase in the other expenses is mainly due to an increase in a range of advisory fees and the ICE outsource costs. The latter increase comes primarily from larger data volumes for the works database and the higher turnover from the Online streaming market.

Despite the normal indexation, the personnel costs decreased in 2016 compared to 2015. This can largely be explained by the fact that the CEO position was vacant for four months in 2016 and that the new CEO has a salary that satisfies the WNT-II standard. Also, a number of positions was not filled or completely filled during 2016.

The lower depreciation/ amortisation costs in 2016, compared to 2015, are mainly related to the accelerated depreciation in 2015 of the works module in AX-2012. This accelerated depreciation resulted in a one-off higher depreciation cost in 2015. In 2017, major investments will be made in especially the IT environment.

Accommodation costs in 2016 were slightly lower than in 2015. because maintenance of the building is being kept to a minimum since Buma/Stemra's lease contract expires on 31 December 2017. Buma/Stemra will relocate to new business premises in December 2017.

An increase in all the costs is budgeted for all categories for 2017. This increase in personnel costs compared to 2016 is because some of the positions left unfilled in 2016 have now been included in the formation plan for 2017. This increase can also be explained by the planned increase in the remuneration of the Board and the Council of Members.

The increased budget for depreciation/amortisation costs is largely because a number of current investments in the IT system is expected to be completed in 2017, which means depreciation will also start on these. The higher accommodation costs are mainly related to the relocation to a new building at the end of 2017, as well as the handover of the current building.

The increase in the budgeted other expenses is also related to the fact

that various cost reserves were released in 2016, resulting in the other expenses dropping to a one-off low in 2016. Another factor is that there are additional costs in 2017 due to the transfer or relocation of the data centre. A higher budget for IT projects and an increase in the costs for external data processing also contribute to the increase. After all, Buma processes increasingly more data, which incurs extra costs. The higher turnover from Online also means higher outsourcing costs. Finally, substantial costs are expected in 2017 concerning external advisory fees for the restructuring project.

### ALLOCATION OF COSTS BETWEEN BUMA AND STEMRA

In recent years, the Buma/Stemra costs that were not directly allocable to Buma or Stemra have been allocated using a 75/25 allocation key, with Buma having borne 75% of the non-allocable costs. In 2016, the Board decided to adjust this cost allocation key to 90/10. This meant a strong increase in costs for Buma compared to 2015, while the costs for Stemra actually decreased compared to last year. The allocation of the costs is presented below. Bear in mind that the 2016 budget still assumed the 75/25 allocation.

The decision in 2016 to adjust the allocation of the costs that are not directly allocable between Buma and Stemra is based, among other things, on the different development of the copyright royalty revenues between both entities in recent years (increasing at Buma and decreasing at Stemra), and the significantly increased complexity and corresponding IT and front-office developments at Buma compared to Stemra. In addition, there was evidence of operating shortfalls existing for years at Stemra due to a fall in revenues combined with a limited adjusted cost level.

To a certain extent, both the old and the new allocation of the costs that are not directly allocable between Buma and Stemra have an arbitrary character. Nevertheless, the Board believes that the new cost allocation adequately approximates the intrinsic level of activities of both entities.

The adjustment basically applies to a period of three years maximum and will be evaluated in detail in 2018. This in combination with exploring the possibilities for a further legal integration of both CMOs.

Buma's expenses can be specified as follows:

(x EUR 1,000)	Budget 2017	Realisation 2016	Budget 2016	Realisation 2015
Personnel costs	11,706	11,366	9,987	9,976
Accommodation expenses	1,060	940	854	848
Amortisation and depreciation	1,547	1,398	1,499	1,738
Other expenses	13,447	11,376	10,227	8,675
<b>TOTAL BUMA</b>	<b>27,760</b>	<b>25,080</b>	<b>22,567</b>	<b>21,237</b>

Stemra's expenses can be specified as follows:

(x EUR 1,000)	Budget 2017	Realisation 2016	Budget 2016	Realisation 2015
Personnel costs	1,843	1,764	3,519	3,500
Accommodation expenses	118	104	285	282
Amortisation and depreciation	172	155	500	580
Other expenses	1,367	943	2,644	1,559
<b>TOTAL STEMRA</b>	<b>3,500</b>	<b>2,966</b>	<b>6,948</b>	<b>5,921</b>

## FINANCIAL INCOME AND EXPENSES BUMA/STEMRA

### BUMA

Buma invests the royalties that cannot yet be distributed to rights owners in accordance with the investment policy as explained earlier. Buma also uses a number of deposit facilities. In 2016 Buma achieved a return of EUR 9.1 million on its assets; this is EUR 7.1 million more than in 2015. The reason the return on assets is higher than in 2015 is related to the relatively positive developments of the markets in 2016, plus the fact that interest rates dropped further in 2016. This resulted in the fixed-income equities already in the portfolio increasing in value.

Vereniging Buma uses the investment revenues to (partly) cover the operating costs. Because the results from investments can fluctuate considerably from year to year, as shown by the difference in return between 2015 and 2016, a notional return on investments is applied. This notional return was established starting from the 2016 financial year, based on the (government) Parameters committee. In previous years, the notional return was calculated based on the applicable

interest rate plus a risk premium. This adjustment has had a limited impact on the amount of the notional return.

If the investment income exceeds the notional return, the difference is added to the appropriated reserve. If it is lower than the notional return, the difference is withdrawn from the appropriated reserve, to the extent that this reserve is sufficient. The notional return system ensures consistency in the (partial) coverage of the operating costs. This means that, in years with high investment income (higher than the notional return), a buffer is created in an appropriated reserve that can be used in years with lower investment income (lower than the notional return). The investment income in 2016 exceeded the notional return; therefore, an amount was added to the appropriated reserve.

### ADDITION TO APPROPRIATED RESERVE

(x EUR 1,000)	Budget 2017	2016	2015
Income from securities and changes in value	5,711	9,050	1,934
Less: Notional return	3,982	6,819	7,302
<b>ADDITION/WITHDRAWAL APPROPRIATED RESERVE</b>	<b>1,729</b>	<b>2,231</b>	<b>-5,368</b>

### STEMRA

Stemra does not invest its cash and cash equivalents but keeps it in different freely available deposit accounts. Since the interest on these

deposits were lower in 2016 than in 2015, the financial assets of Stemra decreased from EUR 0.3 million to less than EUR 0.1 million.

## COVER OF THE OPERATING COSTS

### BUMA

Administration fees are amounts that Vereniging Buma withholds from royalty payments to cover its operating costs. These comprise a fixed administration fee withheld from the distribution of funds from Online (15%), Abroad (5%) and Foreign Network Providers (10%), as well as a variable amount withheld upon collection on other rights

categories. The variable administration fee is calculated based on the total costs, the fixed administration fees and the other income that Vereniging Buma receives. This calculation is included in the next table and is explained in more detail below this table.

<b>COVER OF THE OPERATING COSTS</b>			
(x EUR 1,000)	Budget 2017	2016	2015
<b>TOTAL EXPENSES</b>	<b>-27,760</b>	<b>-25,080</b>	<b>-21,237</b>
<b>TOTAL COVER</b>	<b>27,760</b>	<b>25,080</b>	<b>21,237</b>
<b>Notes to cover</b>			
(1) Entrance and annual fees	700	782	729
(2) Other income	54	60	62
(3) Administration fee withheld upon distribution	3,276	3,181	2,840
<b>Cover of costs from income</b>	<b>4,030</b>	<b>4,023</b>	<b>3,631</b>
(4) Notional return	3,982	6,819	7,302
(5) Balance of other financial income and expenses	-745	-679	-765
<b>Cover from the financial result and/or appropriated reserve</b>	<b>3,237</b>	<b>6,141</b>	<b>6,537</b>
<b>TOTAL COVER FROM INCOME AND FINANCIAL RESULT AND/OR APPROPRIATED RESERVE</b>	<b>7,267</b>	<b>10,163</b>	<b>10,168</b>
(6) Variable administration fee for other rights categories	20,493	14,917	11,069
<b>TOTAL COVER</b>	<b>27,760</b>	<b>25,080</b>	<b>21,237</b>

The operating costs of Vereniging Buma are covered from six revenue sources, i.e. the entrance and annual fees paid by rights owners (1), the other revenues (2), the fixed administration fees on the collection of Online, Abroad and Network Providers Abroad (3), the notional return on the investments (4), and the balance of the financial income and expenses (5). The remaining costs are divided over all rights categories with the exception of Online, Abroad and Network Providers Abroad (6).

The fixed administration fee for Online, Abroad and Network Providers Abroad, together with the variable administration fees for the other rights categories, constitute the total costs withheld upon collection. In total, EUR 18.1 million in administration fees was withheld at the rights owners in 2016, which is EUR 4.2 million more than in 2015. The increase of the withheld administration fee is mainly attributable to the increase in the costs of Buma in 2016,

which is mainly due to the adjusted allocation key for the indirect costs between Buma and Stemra. The increase in the administration fee withheld is also attributable to the decrease in the notional return. This decrease is largely down to the drop in the invested assets in 2016 compared to 2015.

It is expected that Buma's costs will increase in 2017, which leads to a higher withholding from rights owners. Also, the notional return decreases because of a decline in the invested assets of Buma and, on the other hand, because the interest rate is persistently low. The increase in the costs and the lower notional return mean that the withholding from rights owners in 2017 is expected to be EUR 23.8 million.

<b>TOTAL ADMINISTRATION FEE</b>			
(x EUR 1,000)	Budget 2017	2016	2015
(3) Fixed administration fees	3,276	3,181	2,840
(6) Variable administration fees	20,493	14,917	11,069
<b>TOTAL WITHHELD FROM ROYALTIES</b>	<b>23,769</b>	<b>18,098</b>	<b>13,909</b>

## STEMRA

(x EUR 1,000)

	Budget 2017	2016	2015
<b>Total expenses</b>	<b>3,500</b>	<b>2,966</b>	<b>5,921</b>
<b>Notes to cover</b>			
(1) Entrance and annual fees	3,363	3,961	4,755
(2) Other income	700	782	729
Interest income and similar income	90	60	308
<b>Cover of costs from income</b>	<b>4,153</b>	<b>4,803</b>	<b>5,792</b>
<b>ADDITION TO/WITHDRAWAL FROM THE APPROPRIATED RESERVE</b>	<b>653</b>	<b>1,854</b>	<b>-129</b>

In contrast to Buma, Stemra only uses a fixed administration fee and no variable administration fee. If the fixed administration fee plus other income exceeds the costs of Stemra, the surplus is added to the appropriated reserve; if it is lower than the operating costs, an amount has to be withdrawn from the appropriated reserve. In recent years the costs at Stemra exceeded the income, so money had to be withdrawn from the appropriated reserve. That adjustment of the cost

allocation key between Buma and Stemra produced a decrease in the operating costs of Stemra. Consequently, the income in 2016 exceeds the costs of Stemra and an operating surplus of EUR 1.8 million was added to the appropriated reserve.

## DISTRIBUTION BUMA/STEMRA

### BUMA

In 2016 Buma distributed EUR 145.9 million to its rights owners and organisations with which it has a reciprocal contract; this is EUR 12.2 million more than in 2015. Part of this increase is attributable to the rising royalty revenues in recent years, but also to the fact that a larger amount could be distributed to Abroad and Online in 2016 thanks to targeted actions. Apart from the distribution to rights owners and organisations with which Buma has a reciprocal contract, EUR 10.4 million was added to the Fund for Social and Cultural Purposes (SoCu fund). This amount is only slightly higher than last year because, first, the relevant categories of royalty revenues increased in 2016 and, second, the administration costs of Buma also increased due to the adjustment of the cost allocation key for the costs that are not directly allocable between Buma and Stemra. After all, the addition to the SoCu fund takes place after deduction of the administration fee upon collection.

The SoCu fund is under the supervision of the Board of Buma/Stemra and serves to protect the non-tangible and tangible interests of the composers, songwriters and music publishers affiliated to Buma and to promote the Dutch music life. Pursuant to article 29(4) of the Articles of Association, a maximum of 10% of the gross amount available for distribution may be made available to the SoCu fund. As in previous years, this percentage in 2016 was 8% of the gross available amount of all the collection sections except Online, Abroad and Foreign Network Providers. The fund's expenditure goes to, among others, Stichting Buma Cultuur, the Surcharge Serious, Stichting Sociaal Fonds and an old-age provision for songwriters and composers and music publishers. The accounting for the expenditure is included under note 10 in the financial statements. This shows that the expenditure of the SoCu fund in recent years has exceeded the addition to the fund; this is a deliberate policy to reduce the reserves present in the SoCu fund.

### STEMRA

In 2016, Stemra distributed EUR 27.6 million to rights owners and organisations with which it has a reciprocal contract. This is EUR 3.1 million lower than last year. This decrease in the distributed

royalty revenues is mainly due to the high distribution of Private Copying royalties in 2015, as well as the decreasing royalty revenues at Stemra. The drop in the distribution of Private Copying revenues is partly offset by the rise in the Online and Abroad distributions.

### COST NORM 2016 AND EXPECTATIONS FOR 2017

Since the introduction of the Collective Management Supervision Act in July 2013, the government has imposed three cost norms for collective management organisations. In the event that these cost norms are exceeded, this must be reported in the annual report, detailing the reasons for the excess to the satisfaction of the Dutch Copyright Supervisory Board (CvTA). These cost norms are deemed to have been exceeded if:

- The (gross) management costs in the year to which the annual report pertains are higher than 15% of the amount that was collected in that year (the collection/royalty revenues);
- The (gross) management costs in the year to which the annual report pertains are higher than 15% of the amount that was distributed in that year (the distribution);
- The management costs in the year to which the annual report pertains have risen more in relation to the management costs in the previous year than the consumer price index of the year to which the annual report pertains.

## COST PERCENTAGES

(x EUR 1,000)

Budget 2017

2016

2015

	Budget 2017	2016	2015
Collection Buma	165,400	170,982	164,691
Collection Stemra	29,096	33,895	39,263
<b>Collection Buma/Stemra</b>	<b>194,496</b>	<b>204,878</b>	<b>203,954</b>
Distribution Buma	142,421	156,237	143,946
Distribution Stemra	29,278	27,596	35,424
<b>Distribution Buma/Stemra</b>	<b>171,699</b>	<b>183,833</b>	<b>179,370</b>
Costs Buma	27,760	25,080	21,237
Costs Stemra	3,500	2,966	5,921
<b>Costs Buma/Stemra</b>	<b>31,260</b>	<b>28,046</b>	<b>27,158</b>
Costs Buma as % of the collection (gross)	16.8%	14.7%	12.9%
Costs Stemra as % of the collection (gross)	12.0%	8.7%	15.1%
<b>Costs Buma/Stemra as % of the collection (gross)</b>	<b>16.1%</b>	<b>13.7%</b>	<b>13.3%</b>
Costs Buma as % of the distribution (gross)*	17.3%	14.7%	13.5%
Costs Stemra as % of the distribution (gross)*	12.0%	10.7%	16.7%
<b>Costs Buma/Stemra as % of the distribution (gross)*</b>	<b>16.5%</b>	<b>14.2%</b>	<b>14.1%</b>
Changes in costs Buma in comparison to last year	10.7%	18.1%	1.2%
Changes in costs Stemra in comparison to last year	18.0%	-49.9%	-10.0%
<b>Changes in costs Buma/Stemra in comparison to last year</b>	<b>11.5%</b>	<b>3.3%</b>	<b>-1.5%</b>
Average percentage actually withheld Buma (net)**	13.8%	10.6%	8.4%
Average percentage actually withheld Stemra (net)**	11.5%	14.4%	13.4%
<b>Average percentage actually withheld Buma/Stemra (net)**</b>	<b>13.5%</b>	<b>10.8%</b>	<b>9.2%</b>

\* Buma applies a system of settlement of the administration fee upon collection, so that the distributed revenues in the financial statements reflect the net distribution. In order to determine the costs as a percentage of the distribution, the corresponding balance of the administration fee to be withheld in the year of collection (that of the previous year) and the administration fee upon distribution are added to the distributed payments.

\*\* The cost percentage that is actually charged to the rights owners is lower than the gross management costs for which the norms of the CvTA have been set. On the one hand, this is due to the fact that fixed withholding percentages set in advance are used (in particular at Stemra but also for certain revenue categories of Buma) and, on the other hand, because less costs are charged to rights owners due to (financial) income (this only applies to Buma). In connection with administration fees being withheld at different times, at Buma mainly in advance and at Stemra afterwards, the calculation of the costs withheld for Buma is a percentage of the collection and for Stemra a percentage of the distribution. For the percentage of Buma/Stemra, as well as Stemra's budgeted percentage, the total costs withheld from the royalties are presented as a percentage of the total collection.

## COSTS AS PERCENTAGE OF THE COLLECTION

### BUMA

With 14.7%, Buma complies in 2016 with the norm that specifies that the costs may not amount to more than 15% of the collection (principle: comply or explain). Despite complying with this norm, the percentage in 2016 clearly increased by 1.8 percentage point compared to 2015. This is specifically attributed to the higher allocation to Buma of costs not directly allocable to Buma or Stemra, leading to a strong increase in the total costs of Buma in 2016. Due to the system of using (financial) income and expenses to cover the management costs and withholding a fixed percentage for specific royalties, the actual cost percentage that is withheld from the rights owners is considerably lower, on average amounting to 10.6%.

### STEMRA

With 8.7%, Stemra also complies with the norm. The main reason why, in contrast to previous years, Stemra complies with the norm that costs as a rule should not exceed 15% of collection is that the allocation key for the indirect costs between Buma and Stemra has been adjusted to a more realistic ratio for Stemra. However, because of the system of fixed administration fees, the amount that Stemra actually charges to rights owners, amounting to 14.4%, is higher than the cost percentage. The higher amount that has been charged is added to the appropriated reserve of Stemra.

The costs for Buma/Stemra together amount to 13.7% of the total collection. As an entity, Buma/Stemra also complies with the main cost norm. Here, too, the amount actually withheld from rights owners is considerably less.

## COSTS AS PERCENTAGE OF DISTRIBUTION

Both Buma and Stemra, as Buma/Stemra together, comply with the norm that specifies that the costs may not exceed 15% of the distribution.

## INCREASE IN COSTS IN RELATION TO THE CPI

The table shows that the costs of Buma increased by 18.1% compared to 2015 and that the costs of Stemra went down by 49.9%. These large changes are attributable to the adjustment of the allocation key for the costs that are not directly allocable between Buma and Stemra. This major adjustment means that the cost norm, which specifies that the cost increase may basically not exceed the CPI for Buma and Stemra (separately), does not apply. However, for Buma/Stemra together, the norm does provide the desired insight. The Buma/Stemra costs increased by 3.3% compared to a CPI norm of 0.6%.

This increase in the costs has already been explained in the notes to the operating costs. A major reason for the strong increase in 2016 compared to 2015 is the change in the presentation of the costs for fingerprinting (EUR 1.1 million). This is a one-off change in presentation.

## SITUATION AT BALANCE SHEET DATE

As an association and foundation respectively, Buma and Stemra, unlike a private or public limited liability company, have no shareholders' equity, but (appropriated) reserves. The solvency calculation based on shareholders' equity divided by loan capital does not have any direct meaning because the balance sheet of Buma and Stemra mainly presents the activities that Buma and Stemra carry out for their rights owners (third parties) and these external obligations do not relate to the shareholders' equity of the association and foundation itself.

Liquidity indicates to what extent the debts can be serviced in the short term from the cash and cash equivalents and receivables. For a representative calculation of the liquidity, Buma's investment portfolio is added to the cash and cash equivalents, because this investment portfolio is in direct relation to the copyright royalties to be distributed and because the investment portfolio is kept highly liquid. The liquidity ratio for Buma then amounts to 1.12, which means that Buma can fulfil its obligations in the short term.

The main liquidity outlines for Stemra are the same as for Buma, with the comment that Stemra does not pursue an investment policy. The liquidity ratio for Stemra is 1.22.

## CASH FLOWS AND THE FINANCING NEED

As Buma and Stemra distribute most of the copyright royalties received in the year after their receipt, and a large part of the copyright royalties is received at the beginning of the year, Buma and Stemra do not have any need for external financing. The above system results in temporary liquidity consisting of copyright royalties to be distributed, which can be used for the current expenses and for investments.

The key cash flows for Buma and Stemra are the copyright royalties received and distributed during the year. When it comes to Buma, acquisitions and disposals are also made during the term of the investment portfolio, and a change was made from invested assets to cash and cash equivalents in 2016. This change resulted from the increase in the amount of money in the distributions in 2016, which was thanks to Buma investing a lot of energy in 2016 in distributing copyright royalties more quickly. As a direct result of this, the copyright royalties to be distributed that had been invested had to be released.

## KEY RISKS AND UNCERTAINTIES

Buma/Stemra represents music and its songwriters and composers; we have been doing it for more than a hundred years. Although the way in which music is copied and published has changed continuously over these hundred years, the essence has always remained the same: an author makes music that is published and paid for. Recently, however, this core has been eroded: currently, artificial intelligence makes it possible to make music without there being an author involved in the traditional sense of the word. These algorithms can create hours of music in no time, which could be (partly) at the expense of our rights owners' income. Things have not gone that far yet, and we believe the human creativity in particular cannot be equalled by a computer; that said, it is still a major strategic risk to our business operations. The strategy for 2018 and the years beyond will therefore emphatically consider these and similar new developments.

At operational level, Buma/Stemra has deliberately opted for national and international cooperation in recent years. This involves, among other things, the partnership with ICE on the works database and the online billing and the outsourcing of part of the IT process to Accenture. Such collaboration gives Buma/Stemra operational leverage (flexibility), but also means a dependency on other parties. This dependence is a risk we deliberately take, but it does mean that Buma/Stemra has to keep a key finger on the pulse at all the parties with which it has crucial partnerships. This happens at both strategic, tactical and operational level.

In the financial field, the biggest risk to Buma is a (significant) decrease in the value of the investment portfolio, so that Buma may



not be able to meet its distribution obligation to its rights owners. This report mentions a number of control measures with which Buma mitigates the risk of price devaluations. This includes the moderately defensive investment policy that is based on an ALM study and the appropriated reserve, which serves to absorb fluctuations in investment results.

In the field of laws and regulations, the main risk concerns the implementation of the European Collective Rights Management Directive. Among other things, this Directive enables international competition in the field of copyright and creates a level playing field for all European CMOs. This offers opportunities that Buma/Stemra is responding to, but also the challenge to manoeuvre in a more competitive environment. Besides the increase in competition, the transparency obligation will also increase for Buma/Stemra. This includes requirements for information provision on the website and, from the 2017 annual report, a greater transparency requirement in the annual report.

The above risk paragraph shows that the Management of Buma/Stemra knows what the risk and uncertainties are and, where necessary, is willing to implement measures to mitigate these risks. The present risks make it imperative that the Management is vigilant and applies a proactive strategic policy to promptly respond to the changing world of music copyright.

## INFORMATION ABOUT FINANCIAL INSTRUMENTS

Stemra does not use financial instruments to hedge risks. In Buma's case, the share portfolio is largely composed of securities in currencies other than the euro. The six largest positions in foreign currency are hedged to euros by means of forward exchange contracts. This is purely a hedging mechanism and does not aim to achieve currency results.

## OUTLOOK

Buma/Stemra will have to make important investments in the years ahead to retain its current competitive position. Next year, investments will be made in a new data centre, and there will also be investments in a new improved interface with users and rights owners. Moreover, the European Directive, which also covers multi-territorial licensing, will require a significant investment, which is necessary for Buma/Stemra to remain competitive internationally.

As far as total staffing is concerned, nothing is expected to change much in the coming year. Still, it is undeniable that the changing world of copyright and the major technological developments in our sector demand flexibility from employees to perform other tasks than what they have become used to in recent years.

As mentioned several times already in this annual report, the key for allocating the indirect costs of Buma/Stemra has been adjusted in 2016 from 75% Buma and 25% Stemra to a ratio of 90:10. A further merger of Buma and Stemra will be looked at in the years ahead, with a common collection method also being one of the considerations.

The Culture Code that will be implemented starting in 2017 is an instrument for good governance and supervision. For Buma/Stemra, this will mainly formalise the current working method of the Board and only introduce minor adjustments to the way the Board works. Together with the European Directive, this Code will result in improving the transparency of Buma/Stemra towards both users and rights owners and towards other stakeholders.

A key prospect is that Buma/Stemra, after many years, is going to relocate from its current office building to a new building. Buma/Stemra remains in Hoofddorp, but will relocate to an office building and concept that is more in tune with modern times. Just like Buma/Stemra, the building has to express openness and transparency and be a place where both users and rights owners feel warmly welcome. It is also important that the new building, as opposed to the perception of our current office building, reflect cost awareness: after all, we are committed to ensuring the optimal collection and distribution of copyright royalties to our members and affiliates, so we need to ensure our organisation is as cost-efficient as possible.

## APPROVAL OF THE FINANCIAL STATEMENTS

After the audit, KPMG Accountants N.V. issued an unqualified auditor's report with the financial statements. We propose to approve the 2016 financial statements of Buma and the 2016 financial statements of Stemra in accordance with article 26(7) of the Articles of Association and to grant discharge from liability to the Boards and the Director's.

The original financial statement were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

Hoofddorp, 24 October 2017

### THE BOARD

Leo. de Wit	Chairman
Henk Westbroek	Vice-chairman
André de Raaff	Secretary
Anthony Fiumara	Board member
René Meister	Board member
Arriën Molema	Board member
Pieter Perquin	Board member
Davo van Peursen	Board member
Martijn Schimmer	Board member
Marc Swemle	Board member
Raymond van Vliet	Board member
Johan van der Voet	Board member
Niels Walboomers	Board member

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### DIRECTOR

Wim van Limpt	Chief Executive Officer
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# —FINANCIAL STATEMENTS **BUMA 2016**

# BUMA BALANCE SHEET AS AT 31 DECEMBER

before appropriation of the result

(x EUR 1,000)

	2016	2015
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible fixed assets (1)	4,351	5,329
Tangible fixed assets (2)	473	741
	<b>4,824</b>	<b>6,070</b>
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Trade receivables (3)	15,713	12,272
Other receivables (4)	1,445	1,250
Taxes and social security contributions	48	941
Prepayments and accrued income (5)	5,873	8,878
Securities (6)	199,864	214,005
Cash and cash equivalents (7)	20,742	9,229
	<b>243,685</b>	<b>246,575</b>
<b>TOTAL ASSETS</b>	<b>248,509</b>	<b>252,646</b>

(x EUR 1,000)

	2016	2015
<b>LIABILITIES</b>		
<b>Reserves (8)</b>		
Continuity reserve	1,855	1,855
Appropriated reserve	14,528	19,896
Unappropriated result	2,231	-5,368
	<b>18,614</b>	<b>16,383</b>
<b>Provisions (9)</b>	<b>9,724</b>	<b>10,341</b>
<b>Non-current liabilities (10)</b>	<b>2,572</b>	<b>4,067</b>
<b>Current liabilities</b>		
Copyright royalties to be distributed (11)	186,707	190,060
Trade creditors	2,574	3,134
Taxes and social security contributions	300	315
Other liabilities (12)	22,604	21,276
Accruals and deferred income (13)	5,414	7,070
	<b>217,599</b>	<b>221,855</b>
<b>TOTAL LIABILITIES</b>	<b>248,509</b>	<b>252,646</b>

# BUMA OPERATING STATEMENT

(x EUR 1,000)	2016	Budget 2016*	2015
<b>INCOME</b>			
Administration fee withheld upon distribution (17, 11)	3,181	2,742	2,840
Entrance and annual fees	782	700	729
Other income	60	54	62
	<b>4,023</b>	<b>3,496</b>	<b>3,631</b>
Balance of administration fee to be withheld in the year of collection (17, 11)	<b>14,917</b>	<b>13,033</b>	<b>11,069</b>
<b>Total income</b>	<b>18,940</b>	<b>16,529</b>	<b>14,700</b>
<b>EXPENSES</b>			
Wages and salaries (18, 19)	8,323	7,291	8,439
Social security charges (18, 19)	1,247	1,099	1,163
Other personnel costs (18, 19)	1,796	1,598	374
Accommodation expenses	940	855	848
Amortisation and depreciation	1,398	1,499	1,738
Other costs (20)	11,376	10,227	8,675
<b>Total expenses</b>	<b>25,080</b>	<b>22,569</b>	<b>21,237</b>
<b>Balance of income and expenses</b>	<b>-6,140</b>	<b>-6,040</b>	<b>-6,537</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Income from securities (21)	1,025	677	1,922
Changes in value (21)	8,018	5,703	12
Interest income and similar income (21)	8	35	56
Interest expenses and similar expenses (21)	-680	-815	-821
<b>Balance of financial income and expenses (21)</b>	<b>8,371</b>	<b>5,600</b>	<b>1,169</b>
<b>Result before taxes</b>	<b>2,231</b>	<b>-440</b>	<b>-5,368</b>
Taxes (22)	-	-	-
<b>Net result</b>	<b>2,231</b>	<b>-440</b>	<b>-5,368</b>
Addition to/withdrawal from appropriated reserve (8)	2,231	-440	-5,368

\* Budget for 2016 has not been audited by the external auditor.

# BUMA CASH FLOW STATEMENT

(x EUR 1,000)	2016	2015
<b>BALANCE OF INCOME AND EXPENSES</b>	<b>-6,140</b>	<b>-6,537</b>
<b>Adjustments for:</b>		
Depreciation	1,452	1,608
Impairment of intangible fixed assets	-	568
Changes in provisions (9)	-617	-823
Changes in operating capital	7,708	-28,811
Other impairments	-9,560	-6,000
Changes in forward exchange	-322	713
<b>Cash flow from operations</b>	<b>-1,339</b>	<b>-32,745</b>
Changes in copyright royalties to be distributed	-3,353	6,836
Purchases of securities (6)	-48,220	-224,806
Repayments and/or sale of securities (6)	71,920	258,864
Interest received	2	16
Interest and dividend received on securities	1,025	1,922
Interest paid	-681	-821
SoCu fund (10)	-1,495	-1,380
<b>Cash flow from operating activities</b>	<b>19,198</b>	<b>40,631</b>
Investments in intangible fixed assets (1)	-138	-740
Investments in tangible fixed assets (2)	-68	-424
<b>Cash flow from investment activities</b>	<b>-206</b>	<b>-1,164</b>
<b>Net cash flow</b>	<b>11,513</b>	<b>185</b>
(x EUR 1,000)	2016	2015
Cash and cash equivalents as at 1 January	9,229	9,044
Cash and cash equivalents as at 31 December	20,742	9,229
<b>Changes in cash and cash equivalents</b>	<b>11,513</b>	<b>185</b>

# BUMA STATEMENT OF CHANGES IN COPYRIGHT ROYALTIES

(x EUR 1,000)	2016	2015
Balance as at 1 January	190,060	183,224
<b>collection:</b>		
Music use in the Netherlands	155,756	148,247
CMOs Abroad	15,226	16,444
<b>Revenue from copyright royalties (11)</b>	<b>170,982</b>	<b>164,691</b>
<b>Distributions to:</b>		
Directly affiliated rights owners	-91,337	-80,086
CMOs Abroad	-54,535	-53,657
Additions to Fund for Social and Cultural Purposes	-10,368	-10,201
<b>Distributions (10, 11)</b>	<b>-156,237</b>	<b>-143,946</b>
Administration fee withheld upon distribution	-3,181	-2,840
Administration fee withheld in the year of collection	-14,917	-11,069
<b>Withholdings (17, 11)</b>	<b>-18,098</b>	<b>-13,909</b>
<b>Balance as at 31 December</b>	<b>186,707</b>	<b>190,060</b>

Change compared to last year is -3,353, (2015: 6,836) see 'Change in copyright royalties to be distributed' in the 'Buma cash flow statement'.

# NOTES TO THE BUMA FINANCIAL STATEMENTS

## Objective in accordance with the Articles of Association, registered office and business address

The objective of Vereniging Buma (“the Association” or “Buma”) is to promote both the tangible and intangible interests of songwriters and composers and their successors in title and of publishers and publishing companies as a non-profit institution. By law, Buma has been appointed by Royal Decree to represent the aforementioned rights owners in a great number of operating areas.

Buma stands for Bureau Muziek Auteursrechten (Music Copyright Bureau). The registered offices of Vereniging Buma are located in Amstelveen, and its head office is located at Siriusdreef 22-28 in Hoofddorp.

## Period under review

These financial statements concern the 2016 financial year, which ended on the balance sheet date 31 December 2016.

## Accounting principles used in the preparation of the financial statements

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code, as required by Section 2, paragraph 2 under a(i) of the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Disputes Settlement) Act (Supervision Act). In addition, the applicable quality mark criteria of VOI©E (the association of organisations that collectively administer intellectual property) are taken into account.

## Going concern

These financial statements have been prepared based on the going-concern principle.

## Comparative figures

After having been adopted, a number of immaterial misstatements was discovered in the 2015 financial statements. These immaterial misstatements have been processed on the balance sheet and in the operating statement in 2016. Following these adjustments, the item ‘Copyright royalties to be distributed’, of which the balance was EUR 190.1 million at year-end 2015, increased by EUR 1.6 million in 2016. A release of other reserves totalling EUR 0.5 million at year-end 2015 was credited to the result in 2016 as an adjustment to the ‘Other expenses’. This same amount caused a decrease in 2016 in the item ‘Balance of administration fee to be withheld in year of collection’, which means that, on balance, this adjustment had no impact on the net result in 2016.

In addition, Buma made a presentation change in its reporting for 2016 concerning the recognition of the so-called fingerprinting costs. Until the end of 2015, part of these costs in the operation of Buma was offset against the corresponding copyright royalties received. This change at Buma was not incorporated in the comparative figures for 2015 but, under the current change in presentation introduced in 2016, it would result in exactly the same adjustments in the 2015 operations and the item “Copyright royalties to be distributed” at year-end 2015.

The effect of the aforementioned immaterial misstatements on the 2015 cost percentage, representing the management costs in relation to collection, is 0.1%.

Buma also introduced a change to the notes to the financial

statements in 2016. This concerns a note regarding an off-balance sheet asset item; a pension contribution deposit that is held with PNO Media Sector Pension Fund. For more details, please refer to note 15.

In respect of the 2015 comparative figures, we should note that these have not changed in any aspect compared to the figures reported in the 2015 financial statements. Should there nevertheless be a relevant (presentation) change that has been incorporated in the 2016 financial statements, but not in the 2015 comparative figures, this is disclosed separately with the relevant item(s).

## PRINCIPLES USED FOR THE VALUATION OF ASSETS AND LIABILITIES AND FOR DETERMINING THE RESULT

### General

Assets and liabilities are stated at nominal value, unless specified otherwise in the further principles. An asset is stated on the balance sheet if it is likely that the future economic benefits will flow to the company and the value of it can be determined reliably.

A liability is stated on the balance sheet if it is likely that its settlement will result in an outflow of resources that contain economic benefits and the amount of it can be determined reliably.

An asset or liability recognised on the balance sheet remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a significant change in the economic substance with respect to the asset or liability.

An asset or liability is no longer stated on the balance sheet if a transaction results in all or virtually all the rights to economic benefits and all or virtually the risks with respect to the asset or liability being transferred to a third party. Income is recognised in the operating statement when an increase in the economic potential, associated with an increase in an asset or a decrease in a liability, has taken place, of which the amount can be determined reliably. Expenses are recognised in the operating statement when a decrease in the economic potential, associated with a decrease in an asset or an increase in a liability, has taken place, of which the amount can be determined reliably.

Income and expenses are allocated to the period to which they relate. Revenue is recognised when the services provided in respect of the copyright royalties can be determined reliably.

The functional currency of Vereniging Buma is the euro. All the amounts are rounded to thousands of euros unless specified otherwise.

### Estimates and assumptions

In the preparation of the financial statements, the Director makes use of estimates and assumptions when applying the accounting principles and determining the reported amounts for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and various other factors which are considered to be reasonable given the circumstances and which are assessed periodically. Actual results may differ from these estimates and assumptions. Revisions of estimates are recognised in



# NOTES TO THE BUMA FINANCIAL STATEMENTS

the period in which the estimate is revised and in future periods for which the revision has consequences.

In the view of the Board, the following change principles are the most critical to the presentation of the of the financial position and the required estimates and assumptions:

- Valuation of receivables;
- Actuarially determined provisions, such as provisions for the SFB allowance;
- Claims by licence holders and/or rights owners related to the collection and distribution of copyright royalties;
- Charge-on of non-attributable indirect costs from Buma to Stemra. (see note 16).

## Foreign currency

Transactions denominated in foreign currency are converted into euros at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities in foreign currency are converted into euros on the balance sheet date at the applicable exchange rate on this date. Exchange rate differences arising from the settlement of monetary items, or arising from the conversion of monetary items in foreign currency, are recognised in the operating statement in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currency that are recognised at historical cost are converted into euros at the exchange rate prevailing on the transaction date. Exchange rate differences upon conversion are recognised in the operating statement.

## Consolidation

The financial statements of Vereniging Buma concern the company financial statements. In accordance with the prevailing laws and regulations, there is no group relationship with related organisations, except for Stichting Buma Beleggingsfonds.

## Stichting Buma Beleggingsfonds

Vereniging Buma invests the royalties that cannot yet be distributed to rights owners with the aim to realise a higher return than through a current-account deposit. Vereniging Buma's financial resources for investment are placed with Stichting Buma Beleggingsfonds. This foundation invests for the account and risk of Vereniging Buma. The legal ownership of the securities rests with the Foundation itself in order to carry out the necessary management tasks; the economic ownership of the investments rests with Vereniging Buma. Consequently, the assets and liabilities and the results of the Foundation are recognised in the financial statements of Vereniging Buma. In view of the above, there is no consolidation.

## Stichting Stemra

Pursuant to the provisions of the Copyright Act, Buma was established to represent its rights owners in a large number of operating areas. At a later stage, following the advent of recording equipment, Stichting Stemra was founded to represent its rights owners in this field, too. Despite Vereniging Buma and Stichting Stemra collaborating in a single organisation, there is no group relationship because of the legal stipulations and the strict segregation of economic entity.

## Financial instruments

Financial instruments comprise both primary instruments (receivables, securities, cash and cash equivalents and liabilities) and derivative instruments (including forward exchange contracts). Financial instruments are initially recognised at fair value with directly attributable transaction costs being included in the initial recognition. If, however, financial instruments are subsequently recognised at fair value with processing of the change in value in the operating statement, the directly attributable transaction costs are processed directly in the operating statement upon initial recognition.

Financial instruments are subsequently recognised as follows:

- Receivables are recognised at amortised cost using the effective interest rate method. Provisions deemed necessary for the risk of uncollectibility are withheld. These provisions are determined based on individual assessments of the receivables.
- Securities (government bonds, bond funds, mortgage funds and equity funds) constitute part of the investment portfolio and are stated at fair value with changes in value being processed in the operating statement. The fair value is determined based on the listing.
- Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not freely available, this is taken into account in the valuation. Cash and cash equivalents denominated in foreign currency are converted into the functional currency at balance sheet at the exchange rate prevailing on that date. We also refer to the price principles for foreign currency.
- Liabilities are stated at amortised cost using the effective interest rate method. The effective interest is taken directly to the operating statement. The repayment obligations for the non-current liabilities in the year ahead are taken to current liabilities.
- Derivative financial instruments (used for hedging the foreign currency component of securities and for hedging foreign currency liabilities) are recognised at fair value, with changes in value being taken to the item 'Changes in value' in the operating statement.

## Intangible and tangible fixed assets

Intangible and tangible fixed assets are stated at cost of acquisition or manufacture less accumulated amortisation, depreciation and impairments.

Depreciation charges are calculated as a percentage of the acquisition costs in accordance with the straight-line method based on the estimated useful life. Prepayments on fixed assets are not amortised or depreciated. Tangible and intangible fixed assets are assessed on each balance date for indications of whether these assets are subject to impairment.

If such indications are present, the realisable value of the asset is estimated. The realisable value is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the realisable value, an impairment is recognised for the difference between the carrying amount and the realisable value. Departing from that which is stated above, on each balance sheet date, the realisable value is determined for intangible assets that have not yet been taken into use.

The estimated useful life is as follows:

- business information systems 3 - 7 years
- hardware/computer equipment 3 year
- other operating fixed assets 3 - 7 years

## Continuity reserve

The aim of the continuity reserve is, among other things, to ensure the continuity of the performance of the activities and the fulfilment of obligations to third parties, including with regard to the distribution of copyright royalties that still have to be distributed according to the financial statements. In addition, this reserve serves to level out undesired fluctuations in the amounts available for distribution.

## Appropriated reserve

The aim of the appropriated reserve is to distribute the return on investments to the rights owners in an orderly manner. To this end, the income from and changes in value of securities recognised in the operating statement are added to the appropriated reserve via the appropriation of the result. Each year, in accordance with article 18 paragraph 3 of the Articles of Association, the Board determines the amount from the appropriated reserve that is available for distribution to the rights owners. This is based on the realised return on investments, the expected return and advice obtained from asset managers. The amount is deducted in the operating statement from the administration fee charged to rights owners, and withdrawn from the appropriated reserve via the appropriation of the result, to the extent that this reserve is sufficient.

## Provisions

### General

A provision is recognised on the balance sheet for a legally enforceable or constructive obligation arising from a past event, when it is probable that an outflow of funds will be required for the settlement of such an obligation, and for which the amount can be estimated reliably. Provisions are valued at the present value of the expenses that are expected to be necessary in order to settle the obligation.

### Long-service provision

The long-service provision is for future long-service awards for active employees with a permanent employment contract. The provision concerns the estimated amount of the future long-service awards. The calculation is based on actual commitments, stay rates and age.

### The provision for annual allowances for Stichting Sociaal Fonds (SFB)

The provision for annual allowances for Stichting Sociaal Fonds (SFB) concerns a provision for the annual allowances paid to (former) songwriters and composers and publishers and their heirs through the SFB.

The obligations, though conditional, but based on agreements entered into and the resulting expectations, are recognised as an actual obligation. The provision has been charged to the Fund for Social and Cultural Purposes (SoCu fund).

Any release from the provision will therefore be credited to the SoCu fund. The provision is recognised for the actuarial value of the commitments that have been made. The expenses for the settlement of the provision are incurred via SFB.

## Employee pension plan

Vereniging Buma offers its employees an average-wage pension plan. This pension plan is administrated by Stichting Bedrijfstakpensioenfondsvoor de Media, PNO (Sectoral Pension Fund Foundation for the

Media). The pension contributions payable for the financial year are recognised as costs. A liability is recognised for unpaid pension contributions as at balance sheet date. As pension obligations are of a short-term nature, these are measured at nominal value. The risks in connection with wage developments, price indexation and investment returns on the value of the fund could possibly lead to future adjustments in the annual contributions to the pension fund. These risks are not reflected in a provision included on the balance sheet. In the event of a shortfall at the sectoral pension fund, Vereniging Buma is not obliged to pay additional contributions other than higher future pension contributions.

## Leasing

The company can agree financial and operational lease contracts. A lease agreement where all or substantially all the benefits and risks associated with the ownership of the leased asset are borne by the lessee qualifies as a financial lease. All other lease agreements classify as operational leases. The economic substance of the transaction is decisive for the lease classification and not so much the legal form.

### Operational leases

If the company acts as lessee in an operational lease, the leased asset is not capitalised. Fees received as an incentive to conclude an agreement are recognised as a reduction in the lease costs over the lease period. Lease payments and fees pertaining to operational leases are debited or credited to the operating statement using the straight-line method over the lease period, unless a different allocation system is more representative of the pattern of the benefits to be gained from the leased asset.

## Fund for Social and Cultural Purposes

The Fund for Social and Cultural Purposes (SoCu fund) serves to advance the intangible or tangible interests of composers, songwriters and music publishers and to promote the Dutch music scene. The addition to the fund consists of the withholding of a percentage of the copyright royalties that are available for distribution. Pursuant to article 29, paragraph 4 of the Articles of Association, the percentage is determined annually by the Board, following a proposal from the Director's, subject to a maximum of 10%.

The withholding is part of the distribution. The Board of Buma decides on expenditures and distributions that are charged to the fund.

The SoCu fund has a long-term character, as it cannot be claimed within 12 months of the balance sheet date.

## Copyright royalties

Buma recognises a receivable in respect of copyright royalties when the amount can be determined reliably, it is probable that it will flow to Buma, and it is enforceable as at balance sheet date. Copyright royalties received from other, mainly international, Collective Management Organisations (CMOs) are generally recognised on a cash basis, as the amount cannot be determined reliably at an earlier time. Copyright royalties are recognised on the balance sheet in the item 'Copyright royalties to be distributed'. The distribution rules set out the rules for the distribution and payment of music copyright royalties received by Buma to the participants and other stakeholders. The distribution rules are reviewed by the Board every three years.

As part of the distribution process, reserves are formed for, among other things:

# NOTES TO THE BUMA FINANCIAL STATEMENTS

- Works for which Buma has insufficient information to be able to distribute royalties, for example because information on rights owners, copyright details or cue sheets for films, series or commercials is missing;
- Works for which the cumulative revenue is lower than the threshold for distribution (non-distributed items);
- Claims pertaining to the distribution (also in view of the indemnification that Buma provides to the paying licensee\*). The reserve is based on empirical data regarding claims per distribution section that were deemed to be justified and were paid out, and lies between 0 and 2 per cent.

\* In the agreements that Buma concludes with the music user, Buma indemnifies the music user against claims of rights owners affiliated directly or via sister societies. Furthermore, we refer to Section 26 a-c of the Copyright Act, which lays down mandatory collective management.

Reserves are periodically reviewed and distributed when the necessary information has been added or, in the case of a non-distributed item, when the threshold for distribution has been attained. Reserves that have not been distributed within three calendar years after the year of collection are divided proportionally over the various distribution sections and distributed via the regular distribution in the fourth calendar year after collection. For works that are claimed by multiple rights owners (double claims), no distribution takes place until it is clear who the rights owner is. A longer reserve term can be used for royalties received from sister societies with insufficient information for distribution.

## Administration fee

The administration fee is recognised as income in the operating statement. For the greater part of the copyright royalties collected in the financial year, the distribution rules determine that income and expenses in the relevant financial year may be fully offset against the copyright royalties. This offset administration fee is then recognised in the year of collection as income in the operating statement under 'Balance of administration fee to be withheld in the year of collection'. For a number of categories of copyright royalties (this mainly concerns royalties received from abroad, cable fees paid to sister societies abroad and the Online royalties), a fixed percentage of the collected copyright royalties is withheld from the distribution to rights owners as an administration fee. This administration fee is recognised as income in the year of distribution under 'Administration fee withheld upon distribution', as the size of the withholding can be determined reliably at that time.

## Financial income and expenses

Dividends are recognised in the period in which they are declared. Interest income and expenses from investments are recognised in the period to which they relate. The costs of the investments are recognised in the corresponding investment results. Transaction results are recognised in the period in which the transaction took place. Changes in the fair value of securities and derivative financial instruments are recognised in the operating statement.

## Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows denominated in foreign currency are converted at an estimated average exchange rate. Exchange rate differences related to cash balances are shown separately in the cash flow

statement. The purchase and sale of investments, interest and dividends received, and interest and costs paid in connection with investments are regarded as cash flows arising from investments. In the presentation of the cash flow statement, the copyright royalties received on behalf of the rights owners and the distributions made to the affiliated rights owners, the CMOs abroad, are not recognised in the cash flow statement. The cash flows associated with the copyright royalties to be distributed by Buma are disclosed separately. The copyright royalties to be distributed cannot be used by Buma to finance its own cash requirements.

## Taxes

Taxes comprise the current and deferred income tax for the reporting period. The taxes are recognised in the operating statement. The current and deductible tax for the financial year is the expected tax payable on the taxable profit for the financial year, calculated on the basis of tax rates that have been enacted as at balance sheet date.

The Dutch Tax and Customs Administration has determined in a settlement agreement valid until 31 December 2017 that Vereniging Buma is subject to corporation tax. Deductible foreign withholding tax and Dutch dividend tax may be deducted from the tax due pursuant to this settlement agreement. Consequently, no corporation tax is due for the 2016 financial year.

## Determining fair value

The fair value of a financial instrument is the amount for which an asset can be traded, or a liability settled, between well-informed and willing parties, and at arm's length.

- The fair value of listed financial instruments is determined based on the bid price.
- The fair value of derivatives where no collateral is exchanged is determined by liquidating cash flows based on the relevant swap curve and adding credit and liquidity margins.

## (1) INTANGIBLE FIXED ASSETS

The changes in the separate items are as follows:

(x EUR 1,000)	Business information systems	Prepayments on assets in progress	Total
Cost of acquisition until 31 December 2015	9,685	-	9,685
Cumulative amortization until 31 December 2015	-4,356	-	-4,356
<b>Carrying amount as at 1 January 2016</b>	<b>5,329</b>	<b>-</b>	<b>5,329</b>
Investments during financial year	-	138	138
Depreciation during financial year	-1,116	-	-1,116
<b>Changes in carrying amount</b>	<b>-1,116</b>	<b>138</b>	<b>-978</b>
Total cost of acquisition	9,685	138	9,823
Cumulative amortization and impairment	-5,472	-	-5,472
<b>Carrying amount as at 31 December 2016</b>	<b>4,213</b>	<b>138</b>	<b>4,351</b>

An amount of EUR 0.1 million of the total amortization and depreciation costs, including impairments, is charged on to Stemra. The advance payments made on assets concern current projects to improve and expand the ERP system.

## (2) TANGIBLE FIXED ASSETS

The changes in the separate items are as follows:

(x EUR 1,000)	Hardware / computer equipment	Other operating assets	Total
Cost of acquisition until 31 December 2015	2,937	4,774	7,711
Cumulative depreciation until 31 December 2015	-2,498	-4,472	-6,970
<b>Carrying amount as at 1 January 2016</b>	<b>439</b>	<b>302</b>	<b>741</b>
Investments during financial year	34	34	68
Depreciation during financial year	-200	-136	-336
Disposals in financial year	-843	-	-843
Depreciation of disposals in financial year	843	-	843
<b>Changes in carrying amount</b>	<b>-166</b>	<b>-102</b>	<b>-268</b>
Total cost of acquisition	2,128	4,808	6,936
Cumulative depreciation	-1,855	-4,608	-6,463
<b>Carrying amount as at 31 December 2016</b>	<b>273</b>	<b>200</b>	<b>473</b>

# NOTES TO BUMA FINANCIAL STATEMENTS

## (3) RECEIVABLES

The accounts receivable balance as at year-end comprises amounts receivable that are collected directly by Buma and receivables with the collection being carried out by the Service Centre for Copyright and Neighbouring Rights (SCAN) and Ice Copyright Services AB (ICE).

The trade receivables includes an amount of EUR 3.5 million (2015: EUR 4.6 million) with a residual term of more than one year. All the other receivables have an expected residual term of less than one year.

The carrying amount of the included receivables approximates the fair value, given the short-term nature of the receivables and the fact that a provision for bad debt has been formed where deemed necessary.

While preparing the 2016 financial statements, Buma was able to conclude the negotiations with various market parties or, with the current knowledge, adjust the provision, resulting in a substantial positive adjustment to the overall valuation of the receivables item. The total provision for bad debt at year-end 2016 EUR 2.9 million (2015: EUR 7.9 million). For more information, see note 13.

The receivables have a residual term of less than one year.

## (4) OTHER RECEIVABLES

(x EUR 1,000)	2016	2015
Buma members and participants	1,120	1,054
Buma Cultuur current account	-	54
Other receivables	325	142
<b>Total</b>	<b>1,445</b>	<b>1,250</b>

The other receivables have a residual term of less than one year.

## (5) PREPAYMENTS AND ACCRUED INCOME

(x EUR 1,000)	2016	2015
Interest receivable	330	396
Prepaid pension contribution	1,393	1,238
Prepaid expenses	3,678	7,036
Other prepayments and accrued income	472	208
<b>Total</b>	<b>5,873</b>	<b>8,878</b>

The decrease in the prepaid expenses is mainly because the prepayment to the IT outsource partner in 2016 was lower than in 2015.

The prepayments and accrued income have a residual term of less than one year.

## (6) SECURITIES

(x EUR 1,000)	2016	2015
Fixed-income equities	149,502	159,062
Equity funds	50,362	54,943
<b>Total</b>	<b>199,864</b>	<b>214,005</b>

The changes in the separate items are as follows:

(x EUR 1,000)	Fixed-income equities	Equity funds	Total
<b>Balance as at 1 January 2016</b>	<b>159,062</b>	<b>54,943</b>	<b>214,005</b>
Purchases	48,104	115	48,219
Repayments/disposals	-61,920	-10,000	-71,920
Changes in value	4,256	5,304	9,560
<b>Total changes</b>	<b>-9,560</b>	<b>-4,581</b>	<b>-14,141</b>
<b>Balance as at 31 December 2016</b>	<b>149,502</b>	<b>50,362</b>	<b>199,864</b>

Part of the fixed-income securities consists of government bonds held by a mandate holder, and part of funds for fixed income securities.

The equity fund concerns a fund listed in euros, but that has underlying securities in different currencies. The foreign-currency risk faced by six large positions in foreign currency is hedged by means of forward exchange contracts. These foreign exchange contracts are presented under other liabilities in note 12. Due to the nature of the hedge, the presented liability arising from forward exchange contracts is mirrored by a virtually equal increase in the value of the equity fund.

In 2016, Buma distributed more royalty revenue and did so quicker than in 2015. To facilitate this bigger cash outflow, the invested assets were adjusted downwards in 2016.

The average invested assets in 2016, including cash and cash equivalents, came to EUR 216 million (2015: EUR 246 million). The return on the invested capital in 2016 was 4.14% (2015: 0.66%). This return is calculated using the time-weighted rate of return (TWR), which present the compound percentage growth of one euro that was invested at the beginning of the year. The increase in the result compared to 2015 is related to the more favourable development of the stock markets in 2016, as well as the drop in the interest rate during 2016. Note 21 discusses in more detail the results of the different investment categories.

The purchases and disposals of fixed-income equities concern the normal transactions in order to retain the maturity of the portfolio, the periodic rebalancing of the investment portfolio and a sale to reduce the invested assets. In addition, corporate bond funds were reallocated to a mortgage fund. The purchases and disposals in the equity fund concern the periodic rebalancing of the investment portfolio in accordance with the agreed benchmark in the investment policy, as well as the aforementioned reduction of the invested assets.

The securities are either administered by our custodian, Kas Bank N.V., or by the custodian of the fund managers themselves. There is a strict segregation between custody and administration, as a result of which Vereniging Buma securities stay outside a possible bankruptcy of third parties.



# NOTES TO BUMA FINANCIAL STATEMENTS

## (7) CASH AND CASH EQUIVALENTS

(x EUR 1,000)	2016	2015
Cash and cash equivalents	20,742	9,229
<b>Total</b>	<b>20,742</b>	<b>9,229</b>

The cash and cash equivalents are freely available with the proviso that a bank guarantee of EUR 0.3 million has been issued for the rent of the business premises (2015: EUR 0.3 million). The cash and cash equivalents are mainly held with Dutch system banks and at the custodian who has an S&P A-2 rating for the short-term credit risk and an S&P BBB+ rating for the long-term credit risk.

The increase in the cash and cash equivalents is mainly attributed to a number of large amounts received in 2016 immediately before balance sheet date.

## (8) RESERVES

(x EUR 1,000)	Continuity reserve	Appropriated reserve	Unappropriated result	Total 2016
<b>Balance as at 1 January 2015</b>	<b>1,855</b>	<b>15,212</b>	<b>4,684</b>	<b>21,751</b>
Appropriation of the result of the previous year	-	4,684	-4,684	-
Result for the financial year	-	-	-5,368	-5,368
<b>Total changes</b>	<b>-</b>	<b>4,684</b>	<b>-10,052</b>	<b>-5,368</b>
<b>Balance as at 31 December 2015</b>	<b>1,855</b>	<b>19,896</b>	<b>-5,368</b>	<b>16,383</b>
<b>Balance as at 1 January 2016</b>	<b>1,855</b>	<b>19,896</b>	<b>-5,368</b>	<b>16,383</b>
Appropriation of the result of the previous year	-	-5,368	5,368	-
Result for the financial year	-	-	2,231	2,231
<b>Total changes</b>	<b>-</b>	<b>-5,368</b>	<b>7,599</b>	<b>2,231</b>
<b>Balance as at 31 December 2016</b>	<b>1,855</b>	<b>14,528</b>	<b>2,231</b>	<b>18,614</b>

Of the income from securities, changes in value and similar income in 2016 totalling EUR 9.0 million (2015: EUR 1.9 million), EUR 6.8 million (2015: EUR 7.3 million) has been offset against the administration fee charged on to the rights owners.

Pursuant to article 18 paragraph 3 of the Articles of Association, the Board decides on the appropriation of the result. To this end, the Board appropriates all or part of the result for the formation of, addition to or withdrawal from one or more general or special (appropriated) reserves. The Board has proposed to add the positive result of EUR 2.2 million to the appropriated reserve. After addition of the result of EUR 2.2 million to the appropriated reserve, the reserve will amount to EUR 16.7 million (EUR 14.5 million + EUR 2.2 million) (2015: EUR 14.5 million).

## (9) PROVISIONS

The provisions concern the SFB annual allowances scheme and the provision for long-service awards.

(x EUR 1,000)	2016	2015
SFB annual allowances scheme	9,497	10,089
Long-service awards	227	252
<b>Total</b>	<b>9,724</b>	<b>10,341</b>

Changes in the provision for SFB annual allowances scheme are as follows:

(x EUR 1,000)	2016	2015
<b>Balance as at 1 January</b>	<b>10,089</b>	<b>10,866</b>
Interest	88	138
Mortality result	110	-131
Indexation annual allowances	-117	181
Change in interest rate	269	136
Change and life expectancy	125	13
<b>Distribution</b>	<b>-1,067</b>	<b>-1,114</b>
<b>Total changes</b>	<b>-592</b>	<b>-777</b>
<b>Balance as at 31 December</b>	<b>9,497</b>	<b>10,089</b>

Changes in the provision for long-service awards are as follows:

(x EUR 1,000)	2016	2015
<b>Balance as at 1 January</b>	<b>252</b>	<b>298</b>
Interest payment	4	5
Addition debited /release credited to the result	9	-11
Distribution	-37	-43
Change in interest rate	0	3
<b>Total changes</b>	<b>-24</b>	<b>-46</b>
<b>Balance as at 31 December</b>	<b>228</b>	<b>252</b>

### Provision for SFB annual allowances scheme

In the past, Stichting Sociaal Fonds Buma (SFB) entered into a commitment to pay annual allowances to participants in the annual allowances scheme and – after their death – to their surviving partner. This is a conditional obligation and is administered by the SFB itself. Until now, the conditional annual allowances have been indexed annually based on the Netherlands Statistics' price index.

The annual allowances plan was closed to new participants on 1 July 1997. It was decided to continue the payments unchanged to the group of recipients who existed on 1 July 1997. Vereniging Buma has formed a provision for the total obligation because it has the firm intention to continue the annual allowance scheme as far as possible (with SFB as the administrator). The provision is form from the SoCu fund.

Therefore, changes are either debited or credited to this fund. The payments to the participants in the annual allowances scheme from the provision take place via Stichting Sociaal Fonds Buma.

The provision for the annual allowances plan as at 31 December was determined based on a discount rate of 0.92% compared to 1.34% in 2015. As a result, the interest payment is lower compared to the previous year. The indexation of the annual allowances is slightly lower than was expected at year-end 2015, resulting in the provision being reduced and the surplus amount being released. Due to a lower mortality than the actual mortality table, i.e. the Actuarial Table AG 2016, the provision was adjusted for the lower mortality by EUR 110. As the Actuarial Table assumes a higher life expectancy, the provision at this level has been revised upwards.

The provision for SFB annual allowances includes an amount of EUR 1,022 (2015: EUR 1,108) with a residual term of less than one year.

### Provision for long-service awards

This provision concerns payments to employees based on their length of service and is largely long term.

The provision for long-service awards includes an amount of EUR 12 (2015: EUR 37) with a residual term of less than one year.

# NOTES TO BUMA FINANCIAL STATEMENTS

## (10) NON-CURRENT LIABILITIES

The non-current liabilities include the Fund for Social and Cultural Purposes. Notes to this fund are shown below.

Changes in the obligation in respect of the Fund for Social and Cultural Purposes are as follows:

(x EUR 1,000)	2016	2015
<b>Balance as at 1 January</b>	<b>4,067</b>	<b>5,447</b>
Addition from royalties to be distributed	10,368	10,201
Withdrawals	-11,863	-11,581
<b>Total changes</b>	<b>-1,495</b>	<b>-1,380</b>
<b>Balance as at 31 December</b>	<b>2,572</b>	<b>4,067</b>

The withdrawals from the Fund for Social and Cultural Purposes can be specified as follows:

(x EUR 1,000)	2016	2015
<b>Social</b>		
Retirement provisions for composers, songwriters and music publishers	-5,368	-4,800
Changes in retirement provisions for composers, songwriters and music publishers until year-end 2015	499	618
Stichting Sociaal Fonds Buma commitments 2017 and 2016	-1,215	-1,215
Stichting Sociaal Fonds Buma settlement for previous years	82	191
Change in provision for annual allowances scheme	592	777
Other	-63	-97
<b>Withdrawal Social</b>	<b>-5,473</b>	<b>-4,526</b>
<b>Cultural</b>		
Stichting Buma Cultuur commitments for 2017 and 2016	-3,997	-3,983
Stichting Buma Cultuur settlement for previous years	7	111
Surcharge Serious	-2,200	-2,360
Brein	299	-299
Professional associations	-217	-218
Other	-282	-306
<b>Withdrawals Cultural</b>	<b>-6,390</b>	<b>-7,055</b>
<b>Total withdrawals</b>	<b>-11,863</b>	<b>-11,581</b>

Since 2009, the annual expenditure of the Fund for Social and Cultural Purposes has exceeded the annual contributions to the Fund.

Therefore, the balance of these annual tranches was withheld from the annual tranches of 2008 and previous years. The annual tranches as from 2009 are therefore nil.

The withholding from the amount of copyright royalties available for distribution for the Netherlands, and thus the addition to the fund, was

The balance of the obligation in respect of the Fund for Social and Cultural Purposes as at 31 December is composed of the following annual tranches:

(x EUR 1,000)	2016	2015
2008 and before	2,572	4,067
<b>Total withdrawals</b>	<b>2,572</b>	<b>2,687</b>

### Retirement provisions scheme

Retirement provisions are funded through the Fund for Social and Cultural Purposes by making funds available for composers, songwriters and music publishers who are affiliated to BUMA and who meet certain conditions. These funds must be used by the composers, songwriters and music publishers themselves for their own retirement provision. The basis for the amounts made available for composers and songwriters in 2016 is 10% (2015: 10%) of the copyright royalty fee received through BUMA. The music publishers' retirement provision amounts to 50% of the maximum available amount for composers and songwriters. To both composers/songwriters and composers, an annual income threshold of EUR 1,100 (2015: EUR 1,096) applies.

In November 2015, BUMA took responsibility for the retirement provision for rights owners with retrospective effect from 1 January 2013; until 2013, this was administered by AENA. In 2016, a total of EUR 5.4 million was withdrawn from the SoCu fund towards the retirement provision for 2016. This amount has been recognised as an obligation under the other liabilities (note 12).

### Stichting Sociaal Fonds BUMA

Stichting Sociaal Fonds BUMA aims to provide tangible and intangible help and assistance in the broadest sense to composers, songwriters and music publishers that are affiliated to BUMA.

The amount included regarding the Sociaal Fonds BUMA concerns the committed annual allowance grant for 2017 of EUR 1,067 (in 2015: EUR 1,091 for commitment for 2016) and the other costs for Stichting Sociaal Fonds BUMA amounting to EUR 148 (2015: EUR 124 in connection with commitment for 2015). In addition, there was a final settlement regarding previous financial years of -/- EUR 106 (2015: -/- EUR 254).

### Stichting BUMA Cultuur

Stichting BUMA Cultuur supports and promotes Dutch music copyright both in the Netherlands and in the most important export markets for Dutch (not necessarily Dutch-language) music. Stichting BUMA Cultuur's aim is to contribute to defining and implementing BUMA's cultural policy and realising and promoting musical works and related cultural expressions, in connection with Dutch music.

The amounts included regarding Stichting BUMA Cultuur concern the committed grants for 2017 EUR 3,997 (in 2015: EUR 3,983 for the commitment for 2016) and the settlement in connection with previous financial years -/- EUR 7 (2015: -/- EUR 111).

### Other

The Surcharge Serious is a withdrawal from the fund for the distribution to rights owners in the Serious Music section. The Surcharge Serious was paid out in the first quarter of 2017. The item 'other' under cultural expenditure mainly concerns expenditure in the context of the protection of copyright.

With respect to Brein, it was decided in 2016 that this Foundation will be funded from Stichting ThuisKopie as from the financial year 2016. The withdrawal of EUR 299 in 2015 for the year 2016 was therefore returned to the SoCu fund in 2016.

# NOTES TO BUMA FINANCIAL STATEMENTS

## (11) COPYRIGHT ROYALTIES TO BE DISTRIBUTED

The composition of the copyright royalties to be distributed as at balance sheet date is as follows:

(x EUR 1,000)	2016	2015
Reserve for copyright royalties	31,606	39,715
Copyright royalties to be distributed from financial year	150,379	145,150
<b>Copyright royalties to be distributed excluding reserve for double claims</b>	<b>181,985</b>	<b>184,865</b>
Reserve for double claims	4,722	5,195
<b>Total</b>	<b>186,707</b>	<b>190,060</b>

On balance, the copyright royalties to be distributed are EUR 3.4 million less than last year. This decrease is particularly visible in the reserve for copyright royalties and reflects that Buma was in a position in 2016 to distribute some of the royalties from previous years.

Part of the copyright royalties to be distributed has a long-term character. The disclosure below by annual tranche provides insight into the development of copyright royalties to be distributed and the structure by annual tranches.

The development of the copyright royalties to be distributed by annual tranche is as follows:

(x EUR 1,000)	Balance as at 1 January	Accrued during financial year, including release	Distributed in financial year	Release in financial year	Balance as at 31 December
Previous years	13,155	-	-3,408	-5,497	4,250
2013	10,767	-	-4,495	-	6,272
2014	20,988	-	-12,440	-	8,548
2015	145,150	-	-127,892	-	17,258
2016	-	161,562	-11,183	-	150,379
<b>Total*</b>	<b>190,060</b>	<b>161,562</b>	<b>-159,418</b>	<b>-5,497</b>	<b>186,707</b>
Administration fee withheld upon distribution			3,181		
<b>Total distributed to members and participants</b>			<b>-156,237</b>		

\* This total includes the administration fee upon distribution and excludes the administration fee received in the year of collection.

In addition to the double claim reserve of EUR 2.5 million, the reserve for collections in the years before 2013 mainly consists of revenues received from sister societies for which the information for a correct distribution is not yet available. A release from the reserves for copyright royalties of EUR 5.5 million was added to the amount available for distribution. The organisation still has to incur costs in 2017 for the distribution of the copyright royalties yet to be distributed.

The composition of the copyright royalties that became available for distribution during the financial year is as follows:

(x EUR 1,000)	2016	2015
Revenue from copyright royalties	170,982	164,691
Administration fee withheld in the year of collection	-14,917	-11,069
Addition from release of copyright royalty reserves	5,497	6,986
<b>Became available during the year for distribution</b>	<b>161,562</b>	<b>160,608</b>

The withheld administration fee of EUR 14.9 million concerns the fee that Buma charges to rights owners for the services provided by Buma for which no fixed administration fee has been determined. The increase compared to 2015 is mainly attributable to the adjustment of the allocation key for amounts that are not directly allocable between Buma and Stemra from 75% Buma 25% Stemra to 90%/10%. Furthermore, a release of EUR 5.5 million from the reserves for copyright royalties was added to the amount available for distribution (2015: EUR 7.0 million), concerning the released reserves after the end of the (statutory) reserve period.

The copyright royalties were received from the following categories:

(x EUR 1,000)	2016	2015
Radio, TV and Network providers	70,393	67,297
Live performances	29,799	27,146
Restaurants and bars	15,074	14,554
Work spaces	17,183	17,399
Shops and stores	13,179	13,436
Online	10,128	8,415
Abroad	15,226	16,444
<b>Total</b>	<b>170,982</b>	<b>164,691</b>

The copyright royalties received in 2016 are distributed as follows:

Distribution sections with administration fee to be withheld in year of collection	Copyright royalties	Administration fee withheld upon collection	Gross amount available for distribution	8% withholding for Fund for Social and Cultural Purposes	Addition from release of reserves for copyright royalties	Net amount available for distribution
(x EUR 1,000)						
Serious Music sections	3,490	-360	3,130	-250	133	3,013
Live entertainment (excluding Mega Live Acts)	23,361	-2,412	20,949	-1,676	889	20,162
Entertainment music *	43,605	-4,502	39,103	-3,128	1,659	37,634
Radio	12,546	-1,295	11,251	-900	477	10,828
Television	38,796	-4,005	34,791	-2,783	1,476	33,484
Film	3,666	-378	3,288	-263	139	3,164
Cable	19,052	-1,965	17,087	-1,368	724	16,443
	<b>144,516</b>	<b>-14,917</b>	<b>129,599</b>	<b>-10,368</b>	<b>5,497</b>	<b>124,728</b>
Addition to Fund for Social and Cultural services	-	-	-	10,368	-	10,368
<b>Distribution sections with administration fee to be withheld upon distribution</b>	<b>Copyright royalties</b>					<b>Gross amount available for distribution</b>
Mega Live Acts	1,112	-	1,112	-	-	1,112
Abroad	15,226	-	15,226	-	-	15,226
Online	10,128	-	10,128	-	-	10,128
<b>Total</b>	<b>170,982</b>	<b>-14,917</b>	<b>156,065</b>	<b>-</b>	<b>5,497</b>	<b>161,562</b>

\* Entertainment music mainly concerns background music in retail outlets, work spaces and restaurants and bars.

# NOTES TO BUMA FINANCIAL STATEMENTS

## (12) OTHER LIABILITIES

(x EUR 1,000)	2016	2015
Obligations arising from social-cultural services	14,304	15,632
Stichting Sociaal Fonds current account	2,247	2,201
Stemra current account	3,727	1,311
Buma members and participants	795	843
Third-party cable rights owners	14	327
Forward exchange contracts	1,121	799
Other	396	163
<b>Total</b>	<b>22,604</b>	<b>21,276</b>

The increase in the current account with Stemra is attributable to the adjustment of the allocation key for costs that are not directly allocable between Buma and Stemra from 75/25 to 90/10. The increase in the costs following this adjustment had not yet been fully settled as at year-end 2016.

The decrease in the obligations for social-cultural purposes is broken down and explained in detail below.

The forward exchange contracts concern the hedging of six foreign currencies in the underlying securities of the equity fund as presented in note 6. Since this hedge concerns foreign currency in the underlying securities of the fund, the accrued liabilities arising from the forward exchange contract are mirrored by a positive change in the value of the equity fund.

The obligations arising from social and cultural services can be specified as follows:

(x EUR 1,000)	2016	2015
Grant obligations to Stichting Buma Cultuur for 2017 and 2016	3,926	3,983
Retirement provisions for composers, songwriters and music publishers	7,911	8,768
Surcharge Serious	2,319	2,458
Grant obligations to Brein Foundation for 2017 and 2016 financial years	-	299
Grant obligations to Stichting Sociaal Fonds Buma for 2017 and 2016 financial years	148	124
<b>Total</b>	<b>14,304</b>	<b>15,632</b>

In November 2015, Buma took responsibility for the retirement provision for rights owners with retrospective effect from 1 January 2013; until 2013, this was administered by AENA. EUR 2.5 million of the balance of retirement provision for composers, songwriters and music publishers concerns revenues to be distributed for the 2013-2015 period, and EUR 5.4 million the estimate for 2016.

The grant obligation to Brein Foundation was taken over by Stichting ThuisKopie from 2016.



### (13) ACCRUALS AND DEFERRED INCOME

(x EUR 1,000)	2016	2015
Invoices to be paid	1,485	3,417
Amounts to be credited	1,781	280
Amounts invoiced in advance	725	1,380
Holiday allowance and annual leave	850	770
Lease payments in coming years	294	732
Other	279	491
<b>Total</b>	<b>5,414</b>	<b>7,070</b>

The item 'Amounts to be credited' concerns revenues as at year-end 2016 that still have to be settled with some parties. The payments took place in the first quarter of 2017. In the 2015 financial statements, these revenues are presented under the item 'Receivables'.

No amounts with a residual term of more than one year are included under accruals and deferred income as at 31 December 2016 (2015: EUR 351).

See also note 3.

### (14) FINANCIAL INSTRUMENTS

Buma's most important financial instruments concern securities (80% of the balance sheet total; 2015: 85%). Securities are used for the execution of the investment policy, through which royalties that cannot yet be distributed to right owners are invested. Securities are measured at market value. Buma's investment policy is explained in more detail in the Board Report. The interest rate risk on the fixed-income portfolio is discounted in the stock market price of the bonds and bond funds. Investments in equity funds are not subject to a direct interest rate risk. An increase or decrease by 1% in the interest rate would lead to a decrease or increase of approximately 2.2% in the value of the total portfolio as at balance sheet date. An increase or decrease by 5% in the listed price of shares would lead to a decrease or increase of approximately 1.3% in the value of the total portfolio as at balance sheet date. Buma runs a currency risk due to investments in an equity fund that is listed in euros, but which contains shares with a non-hedged listing in foreign currency. In accordance with the investment policy, this currency risk has been hedged with forward exchange contracts for the most important currencies, which are concluded periodically for the share of foreign currency in the equity fund. The key currencies are USD, GBP, AUD, CAD, JPY and CHF. In the event that the euro would become weaker or stronger in relation to the most important currencies as at 31 December 2016, it will lead to a higher or lower change in value in the equity fund; however, due to the hedging of the currency risk, this will lead to an approximately equal opposite change in the value of the concluded forward exchange contract. The credit risk is low given the large allocation of government bonds with a high rating and the solid rating of the other (government) bond funds. The cash and cash equivalents are mainly held with Dutch system banks and at the custodian who has an S&P A-2 rating for the short-term credit risk and an S&P BBB+ rating for the long-term credit risk.

The other financial instruments included in the assets are receivables and cash and cash equivalents (9% and 8% respectively of the balance sheet total; 2015: 9% and 4% respectively), which are valued at amortised cost and nominal value respectively. Receivables are generally non-interest-bearing. The interest on cash and cash equivalents is marginal.

The maximum credit risk with regard to receivables and cash and cash equivalents equals the carrying amount. There is no concentration of the credit risk. The financial liabilities represent 89% of the balance sheet total (2015: 89%). The main component of this are the copyright royalties to be distributed, which account for 75% (2015: 75%). This is measured at amortised cost. Financial liabilities are non-interest-bearing. The fair value of all the financial instruments approximates the carrying amount. There are no financial instruments with a carrying amount exceeding the fair value. Buma does not apply hedge accounting.

# NOTES TO FINANCIAL STATEMENTS OF BUMA

## **(15) OFF-BALANCE SHEET ASSETS AND LIABILITIES**

Vereniging Buma and Stichting Stemra work together as one organisation under one Board, one Council of Members and one Management. Off-balance sheet assets and liabilities in connection with the outsourcing were agreed by Buma and Stemra jointly and are recognised in full at both Vereniging Buma and Stichting Stemra. The allocation of costs between Buma and Stemra for each liability is specified in the notes. The liabilities regarding the rent and leasing have been entered into by Buma; costs are subsequently charged on to Stemra. The amount of the charge-on is disclosed in the notes.

## **MULTI-YEAR RIGHTS AND OBLIGATIONS (CONCERNING PNO MEDIA DEPOSIT)**

The future pension charges for Buma and Stemra have been capped at 15% of the integral salary total in so far as an earmarked deposit of EUR 732,000 at year-end 2016, of which EUR 180,000 was placed with Buma at the end of 2016 (under the item 'Other liabilities'), offers sufficient financing. This deposit was created at the beginning of 2008 upon the collective pension value transfer from Stichting Pensioenfondsen Buma en Stemra (SPBS) to PNO Media.

Because of a higher funding ratio of SPBS compared to PNO Media, the collective value transfer resulted in an additional value of EUR 4.2 million. At the time, EUR 2.7 million was used to increase the pension rights of all the participants in SPBS (active, pensioners and sleepers).

With the consent of all the parties involved, including the employees of Buma and Stemra, represented by the Works Council, the remaining EUR 1.5 million was earmarked as a pension charge equalisation fund for the employer, i.e. Buma or Stemra; i.e. equalisation of the future pension charges in so far as they exceed 15% of the salary total. This 15% (of the salary total) was the prevailing pension charge for Buma/Stemra at the time.

Because the indexation of the pension rights prior to the collective value transfer was conditional on the value development of the investments and would continue after the transfer through an increase in the actual pension contribution burden and, as such, the indexation of the rights had obtained a greater degree of certainty, it was decided to pay up any pension burden exceeding the previously prevailing threshold of 15% through the extra value obtained upon the collective pension transfer for a series of years.

After all, the pension contribution burden would in any case increase, compared to the pension plan before the collective value transfer, through the improved indexation scheme. This concerns the aforementioned remainder of EUR 1.5 million. The likely term within which the deposit would be used before the pension equalisation was 10 years based on the knowledge at that time.

At year-end 2016, of the original deposit of EUR 1.5 million, almost 50% (EUR 732,000) was still available. This deposit has no impact on the financial position of Buma and Stemra, nor on the item 'Copyright royalties to be distributed'. The deposit can only be used to compensate future pension charges if and when they exceed 15% of the salary total. It can also be reduced should PNO Media find itself in a situation where the pension rights of all the participants are reduced based on the requirements and instructions of the regulator, DNB, under a situation of serious and persistent cover shortfalls. No such situation exists at the moment.

In conclusion, neither the called-up part of the deposit of EUR 552,000 nor the equally large nominal value of the corresponding uncertain future pension obligations (these are Buma and Stemra's pension obligations to the extent that they exceed 15% of the integral salary total in the same financial year) has been recognised on the balance of either entity. The deposit, after all, is only available to Buma and Stemra at the same moment that an equally large obligation arises and, with it, this part of the deposit can be called up, but at the same time also be used for this purpose alone. The called-up part of the deposit at year-end 2016 (EUR 180,000) is included in the cash and cash equivalents of Buma and can only be used to cover future pension charges that exceed 15% of the salary total. This amount has therefore been recognised as a deferred liability on the balance sheet of Buma. An assessment will be made in 2017 of whether the called-up part of the deposit (EUR 180,000) should be returned to PNO Media.

## NON-CURRENT LIABILITIES

As at 31 December, the recognised off-balance sheet assets and liabilities have the following residual term:

(x EUR 1,000)

	2016	2015
<b>Joint contracts with Stichting Stemra</b>		
Less than 1 year	788	810
Between 1 and 5 years	6,066	6,777
Longer than 5 years	-	-
	<b>6,854</b>	<b>7,587</b>
<b>Contracts agreed independently</b>		
Less than 1 year	926	963
Between 1 and 5 years	104	747
Longer than 5 years	-	-
	<b>1,030</b>	<b>1,710</b>
<b>Total</b>	<b>7,884</b>	<b>9,297</b>

The non-current liabilities in the table above concern lease expenses, accommodation costs and costs for outsourcing activities. The outsourcing contracts have been agreed together with Stichting Stemra. The liabilities therefore concern both Buma and Stemra.

### Leasing

The operational lease costs for coffee machines, printers and lease cars have been agreed upon by Buma and are allocated on the basis of 90% / 10% to Buma and Stemra. The costs are recognised in the operating statement using the straight-line method over the lease period. The liability with a residual term of less than one year amounts to EUR 103 (2015: EUR 195) and those between one and five years to EUR 103 (2015: EUR 229).

### Rent

The financial obligation regarding the office in Hoofddorp runs until 31 December 2017. The lease obligation has been agreed by Buma. The (annual) lease obligation is divided between Buma and Stemra on a 90% / 10% basis. The total lease obligation for the remaining term of the lease amounts to EUR 0.8 million; this concerns one year's rent. The expense recognised in the financial statements is lower than the cash flow obligation due to amortisation of the rent-free period and the received lease incentive.

### Outsourcing of activities - Accenture

Vereniging Buma and Stichting Stemra have jointly entered into the contractual obligation to outsource a large part of the back-office activities to Accenture until 31 March 2019. The resulting financial obligation for the remaining term of the contract included in the table above amounts to EUR 3.1 million at unchanged volumes. These costs are divided between Buma and Stemra on a 90%/10% basis.

### Outsourcing of activities - ICE Copyright

Vereniging Buma and Stichting Stemra have jointly entered into the obligation for a period of five years (as from March 2015) to outsource their musical works database to ICE. The remaining financial obligation resulting from this amounts to EUR 1.9 million (SEK 17.8 million). The ICE costs are shared 90% / 10% by Buma and Stemra.

### Outsourcing of activities - ICE Online

Vereniging Buma and Stichting Stemra have jointly entered into the obligation for a period of five years (as from March 2015) to outsource the processing of online music use to ICE. The remaining financial obligation arising from this is EUR 0.5 million. These costs are divided between Buma and Stemra on a 90%/10% basis.

### Claims

A number of claims have been lodged against Vereniging Buma, which the Association disputes, as well as a number of claims for which an outflow of funds is expected. A reserve has been formed for the claims where an outflow of funds is expected, and the amount can also be determined reliably. Although the outcome of these disputes cannot be predicted with certainty, it is assumed – also based on legal advice – that these disputes will not have a significant negative effect on the reported financial position of Buma.

## Joint and several liability

Vereniging Buma is jointly and severally liable for the liabilities resulting from legal acts of the Service Centre for Copyright and Neighbouring Rights (SCAN) and guarantees the fulfilment of the obligations of the Service Centre up to a maximum of EUR 1.0 million.

## (16) RELATED PARTIES

The following parties are considered to be related parties of Vereniging Buma: Stichting Stemra, Stichting Buma Cultuur (and thus also Amsterdam Dance Event Foundation), Stichting Sociaal Fonds, Service Centre for Copyright and Neighbouring Rights Foundation (Service Centre) and the Management under the Articles, Board members and the Council of Members of Vereniging Buma and Stichting Stemra. For more information on the remuneration of the Board members, the members of the Council of Members and the Management under the Articles, see note (19). Normal transactions relating to the management of copyrights held by Board members, or involving members of the Council of Members or related parties of Board members or members of the Council of Members, are not explicitly disclosed in the financial statements.

Any distributions of copyright royalties to Board members and members of the Council of Members, or to related parties of Board members or members of the Council of Members, have been calculated in the same manner as the payments to all members and have been paid out in accordance with the normal procedures within Buma. Due to the relationships within the sector, Board members and members of the Council of Members can also be related parties as customers of Buma, such as through a music-related service that Buma uses. Transactions with these parties are carried out at arm's length and under conditions that are no different from the conditions that would have been agreed with other parties.

For the achievement of their objectives, funds are made available to both Stichting Buma Cultuur and Stichting Sociaal Fonds by the Fund for Social and Cultural Purposes. For more information, see note (10). Vereniging Buma charges costs to Stichting Stemra, Stichting Buma Cultuur, Stichting Sociaal Fonds and the Service Centre for personnel, accommodation and overheads. Charged-ons are based on cost. In addition, the Service Centre charges an amount of EUR 1,879 (2015: EUR 1,916) to Buma for the performance of its tasks. The Service Centre is responsible for part of the invoicing and collection on behalf of Buma and Stemra. The table below provides an overview of costs charged by Buma.

The charged-on costs amount to:

(x EUR 1,000)	2016	2015
Stichting Stemra	2,096	5,508
Stichting Buma Cultuur	4	147
Stichting Sociaal Fonds Buma	69	65
Service Centre	362	365
<b>Total</b>	<b>2,531</b>	<b>6,085</b>

The drop in the costs charged on to Stemra is attributed to the change in the allocation of the non-attributable indirect costs between Buma and Stemra from 75/25 to 90/10.

In recent years, the Buma/Stemra costs that were not directly allocable to Buma or Stemra were shared based on a 75/25 allocation key, with Buma bearing 75% of the total non-allocable costs. In 2016, the Board decided to adjust this cost allocation key to 90/10. This meant an increase in the costs of Buma compared to 2015, while the costs of Stemra, on the other hand, were lower compared to last year.

The decision in 2016 to adjust the costs that are not directly allocable between Buma and Stemra is based, among other things, on the different development of the copyright royalty revenues between both entities in recent years (increasing at Buma and decreasing at Stemra), the significantly increased complexity and corresponding IT developments at Buma compared to Stemra, and the operating shortfalls Stemra has experienced for years due to falling income combined with a limited adjustment of the cost level.

To a certain extent, both the old and the new allocation of the costs that are not directly allocable between Buma and Stemra have an arbitrary character. Nevertheless, the Board believes that the new cost allocation adequately approximates the intrinsic level of activities of both entities.

The adjustment basically applies to a period of three years maximum and will be evaluated in detail in 2018. This in combination with exploring the possibilities for a further legal integration of both CMOs.

# NOTES TO BUMA FINANCIAL STATEMENTS

## (17) ADMINISTRATION FEE WITHHELD

The administration fee that is withheld upon distribution concerns a percentage of the collected copyright royalties. The composition of the administration fee withheld in the year of collection is specified below.

The balance of the administration fee to be withheld in the year of collection can be specified as follows:

(x EUR 1,000)	2016	Budget 2016	2015
Administration fee withheld upon distribution	3,181	2,742	2,840
Entrance and annual fees	782	700	729
Other income	60	54	62
<b>Cover of operating costs from revenues</b>	<b>4,023</b>	<b>3,496</b>	<b>3,631</b>
Notional return	6,819	6,819	7,302
Balance of other financial income and expenses	-679	-780	-765
<b>Cover of operating costs from the financial result</b>	<b>6,140</b>	<b>6,039</b>	<b>6,537</b>
<b>'Total cover of the operating costs from revenues and financial result'</b>	<b>10,162</b>	<b>9,535</b>	<b>10,168</b>
	10,163	9,535	10,168
Total expenses	-25,080	-22,568	-21,237
<b>Balance of administration fee to be withheld in the year of collection</b>	<b>14,917</b>	<b>13,033</b>	<b>11,069</b>

As explained in the accounting principles, the Board determines the standard notional return that is annually used to cover the costs of the Association, in accordance with article 18 paragraph 3 of the Articles of Association. The notional return is calculated based on the most recent report of the (government) Parameters committee. The difference between the notional return and the income from and changes in the value of the securities is annually added to or withdrawn from the appropriated reserve via the result appropriation, to the extent that the appropriated reserve is sufficient. An amount of EUR 2.2 million was added to the appropriated reserve in 2016 because the financial result for 2016 was higher than the notional return. More detailed information on the result for 2016 is provided in note 21.

The allocation to/withdrawal from the appropriated reserve is determined as follows:

(x EUR 1,000)	2016	2015
Income from securities, changes in value and similar income	9,050	1,934
Less: Notional return	6,819	7,302
<b>Addition/withdrawal appropriated reserve</b>	<b>2,231</b>	<b>-5,368</b>

**(18) PERSONNEL COSTS**

(x EUR 1,000)

	2016	2015
Salaries	8,323	8,439
Social security contributions	1,247	1,163
Pension costs	821	1,066
Hiring of temporary personnel	694	691
Remuneration of the Board	279	277
Reimbursement of travelling expenses	531	515
Other personnel costs	819	1,143
	<b>12,714</b>	<b>13,294</b>
Allocated to third parties	-1,348	-3,318
<b>Total</b>	<b>11,366</b>	<b>9,976</b>

The drop in other personnel costs compared to 2015 is mainly because of the higher personnel costs in 2015, because the severance payment for the then chief executive was included in that year.

The drop in the item 'Allocated to third parties' is related to the already explained lower charge-on from Buma to Stemra.

The funding ratio of the pension plan administrator Stichting Bedrijfstakpensioenfondsvoor de Media PNO as at 31 December 2016 amounted to: 91.3% (31 December 2015: 97.3 %). Since the current funding ratio at the end of 2016 was above the critical minimum threshold of around 90%, PNO Media does not have to reduce the pensions in 2017. Because of the relatively low funding ratio, PNO Media submitted a recovery plan to DNB in 2015, which was approved. As a result of this recovery plan, it is expected that indexation of the pensions will be possible again in 2019 and that the funding ratio will have attained the required level of 124% again in 2024. No notification has been received from PNO Media that the recovery plan has been adjusted to the circumstances on the markets, which led to a decrease instead of the intended increase in the funding ratio in 2016 compared to 2015.

The average number of FTEs decreased in 2016 compared to 2015.

During the 2016 financial year, the average number of employees in full FTEs was 146.8 (2015: 151.0 FTEs).

In accordance with the table below, the workforce can be divided into the following personnel categories.

These include:

- *Employees who work partially for Stemra by virtue of which part of the costs are charged to Stemra;*
- *1.0 FTE (2015: 1.0 FTE) charged on to other affiliated foundations.*

	2016	2015
Management and secretariat of the Management	4.3	6.6
Secretariat of the Board	3.1	3.3
Legal Affairs & Lobbying	5.5	5.9
General affairs	35.2	37.4
Front office	74.4	73.1
Back office	24.3	24.7
<b>Total</b>	<b>146.8</b>	<b>151.0</b>

# NOTES TO BUMA FINANCIAL STATEMENTS

## **(19) REMUNERATION OF THE BOARD, COUNCIL OF MEMBERS AND DIRECTOR'S**

By virtue of the Supervision Act, which came into force on 1 July 2013, a number of paragraphs in the Public and Semi-Public Sector Senior Officials (Standard Remuneration) Act (WNT) were declared applicable to collective management organisations (CMOs). Vereniging Buma and Stichting Stemra work together as one organisation under one Board, one Council of Members and one Management. The agreements with the Director's, the Board and the Council of Members have been entered into by Buma and Stemra jointly. The total remuneration of the Director's, the Board and the Council of Members is specified in the tables below on a cash basis, in accordance with Section 4.1 of the WNT, in particular for those persons who have been designated as 'senior officials' of Vereniging Buma by Buma/Stemra on the CvTA's advice. However, 50% of the costs for the Board and the Council of Members is recognised in the financial statements by Buma and 50% by Stemra.

The remuneration of the Management is reported in the financial statements of Buma and Stemra based on 90% / 10% respectively.

Vereniging Buma applied the Policy Rules for the application of the WNT 2016, as well as the Collective Management Policy Framework of the CvTA, as a reference framework in preparing these financial statements. Pursuant to Section 4.1 of the WNT, details are provided below for the persons whom Buma/Stemra has designated as 'senior officials' of Vereniging Buma based on the CvTA's advice, being the members of the Management, the Board and the Council of Members. With respect to the remuneration of the CFO and the members of General Counsel, these remunerations were agreed prior to the coming into force of the WNT and therefore the statutory transitional scheme applies.

In accordance with the statutory transitional scheme as implemented by Buma/Stemra in accordance with the current implementation of the WNT, the remuneration of the CFO will be respected by Buma for a period of four years after the coming into effect of the Supervision Act, after which the agreed remuneration will be reduced in a period of three years to 130% of the salary of a Minister of State (WNT-1 norm) and will then be reduced in two years to the WNT-2 norm, being the salary of a Minister of State. In 2016, the 130% norm was EUR 230,474 and the 100% norm EUR 179,000.

In accordance with the statutory transitional scheme as implemented by Buma/Stemra in the current implementation of the WNT via the Supervision Act, the remuneration of the General Counsel will be respected by Buma for a period of four years after the coming into effect of the WNT for Buma, after which the agreed remuneration will be reduced in a period of three years to the salary of a Minister of State.

This norm was EUR 179,000 in 2016.

The employment contract with the Director, Van der Ree, was terminated on 1 February 2016. In accordance with employment agreement, Mr Van der Ree received a severance payment of EUR 484,864. Because the severance had been agreed in 2015, the severance payment was recognised in the costs of 2015.

The employment contract with the COO, Van de Kamer, was terminated on 30 September 2016. Parties agreed a severance payment of EUR 46,000.

Remuneration of the Board and Council of Members remains within the WNT, taking into account the percentage employment contract.



The remuneration per individual over 2016 - as defined in the Supervision Act - can be specified as follows (in €)\*:

Name	Position	Employment contract	Remuneration 2016	Name	Position	Employment contract	Remuneration 2016
<b>Leo de Wit</b>	Chair of the Board	1 Jan. - 31 Dec. 40%	46,211	<b>Davo van Peursen</b>	Chair of the Council of Members	1 Jan. - 31 Dec.	8,096
<b>Henk Westbroek</b>	Vice-chair of Board	1 Jan. - 31 Dec. 25%	15,746	<b>Iason Chronis</b>	Vice-chair of the Council of Members	1 Jan. - 31 Dec.	6,578
<b>Bèr Deuss**</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Mark Bremer</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Loek Dikker**</b>	Board member	1 Jan. - 15 June 20%	6,320	<b>Brian Dessaur</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Anthony Fiumara</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Hans Everling</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>René Meister</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Marcin Felis</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Arriën Molema</b>	Board member	1 Jan. - 31 Dec. 20%	13,277	<b>Ward Henselmans</b>	Member of the Council of Members	1 Jan. - 15 June	2,530
<b>Pieter Perquin</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Thomas Kalksma</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>André de Raaff</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Wim Kwakman</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Martijn Schimmer</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Monique Krüs</b>	Member of the Council of Members	1 Oct. - 31 Dec.	1,128
<b>Marc Swemle</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Bart van de Lisdonk</b>	Member of the Council of Members	15 June - 31 Dec.	2,752
<b>Raymond van Vliet</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Maarten van Norden</b>	Member of the Council of Members	1 Jan. - 14 Sep.	3,795
<b>Johan van der Voet</b>	Board member	15 June - 31 Dec. 20%	6,606	<b>Beatrice van der Poel</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Niels Walboomers</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Gé Reinders</b>	Member of the Council of Members	1 Jan. - 15 June	2,530
				<b>Rita Zipora</b>	Member of the Council of Members	15 June - 31 Dec.	2,738

\* This concerns the total remuneration received from Buma/Stemra.

\*\* The remuneration includes the variable component for 2015.

# NOTES TO THE BUMA FINANCIAL STATEMENTS

The remuneration per individual over 2015 - as defined in the Supervision Act - can be specified as follows (in €)\*:

Name	Position	Employment contract	Remuneration 2015	Name	Position	Employment contract	Remuneration 2015
Leo de Wit	Chair of the Board	1 Jan. - 31 Dec. 40%	46,008	Ward Henselmans	Chair of the Council of Members Member of the Council of Members	1 Jan. - 31 Mar. 1 Apr. - 31 Dec.	5,794
Henk Westbroek	Vice-chair of Board	1 Jan. - 31 Dec. 25%	15,676	Davo van Peursen	Chair of the Council of Members Member of the Council of Members	1 Apr. - 31 Dec. 1 Jan. - 31 Mar.	7,305
Paul van Brugge	Board member	1 Jan. - 20 May 20%	4,650	Brian Dessaur	Vice-chair of the Council of Members Member of the Council of Members	1 Jan. - 31 Mar. 1 Apr. - 31 Dec.	5,416
Bèr Deuss	Board member	1 Jan. - 31 Dec. 20%	12,090	Iason Chronis	Vice-chair Council of Members Member of the Council of Members	1 Apr. - 31 Dec. 1 Jan. - 31 Mar.	6,171
Loek Dikker	Board member	1 Jan. - 31 Dec. 20%	14,336	Mark Bremer	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Anthony Fiumara	Board member	17 June - 31 Dec. 20%	7,389	Hans Everling	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Jeff Hamburg	Board member	1 Jan. - 20 May 20%	4,650	Marcin Felis	Member of the Council of Members	1 Jan. - 15 June	5,038
René Meister	Board member	20 May - 31 Dec. 20%	7,440	Thomas Kalksma	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Arriën Molema	Board member	1 Jan. - 31 Dec. 20%	13,774	Wim Kwakman	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Pieter Perquin	Board member	1 Jan. - 31 Dec. 20%	12,090	Maarten van Norden	Member of the Council of Members	1 Oct. - 31 Dec.	5,038
André de Raaff	Board member	1 Jan. - 31 Dec. 20%	12,090	Beatrice van der Poel	Member of the Council of Members	1 Jan. - 14 Sep.	5,038
Martijn Schimmer	Board member	1 Jan. - 31 Dec. 20%	12,090	Gé Reinders	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Marc Swemle	Board member	1 Apr. - 31 Dec. 20%	12,090				
Raymond van Vliet	Board member	1 Jan. - 31 Dec. 20%	12,090				
Niels Walboomers	Board member	1 Jan. - 31 Dec. 20%	12,090				

\* This concerns the total remuneration received from Buma/Stemra.

There are no other WNT components to be disclosed for Board and Council of Members.

The remuneration per individual over 2016 - as defined in the Supervision Act - can be specified as follows (in €)\*:

Name	Position	Employment contract	Fixed and variable remuneration	Supplement/tax addition company car	Severance payment	Total remuneration 2015	Social security contributions	Taxable fixed and variable expense allowance	Provisions payable in the future
<b>Current team of directors</b>									
Wim van Limpt	CEO	15 June - 31 Dec. 100%	85,429	5,544		90,973	5,333	-	6,841
Wieger Ketellapper**	CFO	1 Jan. - 31 Dec. 100%	283,091	15,600		298,691	9,787	5,592	33,243
Anja Kroeze	General Counsel	1 Jan. - 31 Dec. 100%	187,259	5,108		192,367	9,787	-	24,868
<b>Directors no longer in service</b>									
Hein van der Ree**		1 Jan. - 31 Jan. 100%	102,006	-		102,006	816	55	-14,796
Jolanda van de Kamer	COO	1 Jan. - 30 Sep. 100%	131,955	4,299	46,000	182,254	7,340	-	18,254

\* This concerns the total remuneration received from Buma/Stemra.

\*\* The remuneration includes the variable component for 2015.

The remuneration per individual for 2015 - as defined in the Supervision Act - can be specified as follows (in EUR)\*:

Name	Position	Employment contract	Fixed and variable remuneration	Supplement/tax addition for company car	Severance payment	Total remuneration 2015	Social security contributions	Taxable fixed and variable expense allowance	Provisions payable in the future
<b>Current Director's team</b>									
Hein van der Ree**	CEO	1 Jan - 31 Dec - 100%	397,644	-	484,864	882,508	9,007	660	65,251
Jolanda van de Kamer	COO	1 Jan - 31 Dec - 100%	182,916	5,732	-	188,648	9,007	-	28,890
Wieger Ketellapper**	CFO	1 Jan - 31 Dec - 100%	281,937	15,600	-	297,537	9,007	6,202	39,084
Anja Kroeze	General Counsel	1 Jan - 31 Dec - 100%	186,369	5,108	-	191,477	9,007	-	29,496

## (20) OTHER EXPENSES

(x EUR 1,000)	2016	2015
Service agencies	3,819	2,851
Outsourcing	5,395	4,715
Advisory fees	993	876
Other IT costs	1,031	1,288
Lease & maintenance of IT equipment	834	788
Commercial expenses	337	198
Office supplies	290	263
Other expenses	399	161
	<b>13,098</b>	<b>11,140</b>
Allocated to third parties	-1,721	-2,465
<b>Total</b>	<b>11,377</b>	<b>8,675</b>

The costs for Service Agencies mainly concern the costs for the Service Centre (SCAN) and the costs for the registration of music use (fingerprinting). In 2016, the presentation of the costs for the registration of music use was changed. The result of this change is that these costs are EUR 1.0 million higher. This change has not been incorporated in the figures for 2015. A similar change should lead to an increase of EUR 1.0 million in the Service Agency costs (EUR 3.9 million instead of EUR 2.9 million)

The increase in the outsourcing costs can mainly be attributed to the larger data volumes in the works database of ICE, as well as the increase in the invoiced copyright revenues from the Online segment, for which ICE does the invoicing. The increase in the other costs is mainly because of the large release in 2015, resulting in the other costs presented in that year being very low. The drop in the allocation to third parties is attributable to the adjusted allocation key between Buma and Stemra for the costs that are not directly allocable.

There were no research and development costs.

There were no research and development costs.

## (21) FINANCIAL INCOME AND EXPENSES

(x EUR 1,000)	2016	2015
Changes in the value of fixed-income equities	4,256	-1,911
Changes in the value of equity funds	5,304	7,911
Costs and changes in the value of forward exchange contracts	-1,542	-5,988
<b>Total changes in value</b>	<b>8,018</b>	<b>12</b>
Income from securities	1,025	1,922
Interest income and similar income	8	56
Interest expenses and similar expenses	-680	-821
<b>Total financial income and expenses</b>	<b>8,371</b>	<b>1,169</b>

The return on the invested assets in 2016 was 4.14% (2015: 0.66%). A brief description is provided below per investment category of how the markets developed in 2016.

The stock markets saw a bad start to the 2016 investment year. The fall in the stock markets was prompted by fears of a substantial shrinkage in growth in China, falling oil prices and the economic slowdown in the United States and the fragile solvency of the European banking sector. During the year, the world economy, partly through the supportive policy of central banks, managed to overcome these challenges and the stock markets turned green. The political shock in 2016, in particular the result of the Brexit referendum and Trump's election, failed to suppress the positive sentiment the stock markets saw during the year. In the United States, the S&P 500 index ended up 9.5%; the European shares increased on average by 0.9%.

Corporate bonds scored well, with the US corporate bonds with a positive rating achieving a return of 6.1% and the European index was up 4.7%. Part of these increases can be attributed to the lower interest rates, which result in price increases in the short term but, in the longer term, result in lower coupon revenues.

In the Eurozone, a combination of unconventional monetary policy and a high degree of political uncertainty caused a lower yield of the Deutsche Bund of 0.2% at the end of the year. Government bonds continue to offer security in the investment portfolio but, on balance, yield very little return. As a result, many investors are looking elsewhere for returns, for example, at government bonds of emerging markets.

The prices of emerging market bonds continued to rise during the year and, until the end of the third quarter, this category yielded a return of more than 12.5%. After Trump's election, the enthusiasm for investing in emerging markets waned somewhat because of concerns about the impact that US foreign policy could have on the different emerging markets. Finally, the return for 2016 came out at around 7.5% for government bonds in the emerging markets.

Investments are made through an investment fund in Dutch home mortgages. Investments in these mortgages provide an attractive extra interest income that is around 2% above market rates. A return of around 5.8% was achieved for 2016, approximately half of which came from (mortgage) interest received in the fund, and the other half from an increase in the value of the existing mortgage portfolio due to falling mortgage interest rates in 2016.

The income from securities, consisting of coupons and dividends, decreased mainly because of the lower interest rate and the reduction of the invested assets.

## (22) TAXES

The Dutch Tax and Customs Administration has determined in a settlement agreement that runs until 31 December 2017 that Vereniging Buma is subject to corporation tax. The settlement agreement with the Dutch Tax and Customs Administration dates from 6 November 2001 and was extended in May 2012 for a period of five years until 31 December 2016 and, in November 2016, extended for a period of one year until 31 December 2017.

## (23) SUBSEQUENT EVENTS

No events occurred after the balance sheet date that need to be reported in connection with the 2016 financial statements.

## COMPOSITION OF THE BOARD AND DIRECTOR'S

Amstelveen, 24 October 2017

### THE BOARD

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Leo de Wit	Chairman
Henk Westbroek	Vice-chairman
André de Raaff	Secretary
Anthony Fiumara	Board member
René Meister	Board member
Arriën Molema	Board member
Pieter Perquin	Board member
Davo van Peursen	Board member
Martijn Schimmer	Board member
Marc Swemle	Board member
Raymond van Vliet	Board member
Johan van der Voet	Board member
Niels Walboomers	Board member

### DIRECTOR

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Wim van Limpt	Chief Executive Officer
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# OTHER INFORMATION

Pursuant to article 18 paragraph 3 of the Articles of Association, the Board decides on the appropriation of the result. To this end, the Board appropriates all or part of the result for the formation of, addition to or withdrawal from one or more general or special (appropriated) reserves.

## INDEPENDENT AUDITOR'S REPORT

To: The General Assembly of Vereniging Buma

### Report on the accompanying financial statements

#### *Our opinion*

We have audited the financial statements 2016 of Vereniging Buma, based in Amstelveen

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vereniging Buma as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code and section 25a of the Collective Management Organisations for Copyright and Related Rights (Supervision and Disputes Settlement) Act (hereafter: 'Supervision Act').

The financial statements comprise:

1. the balance sheet as at 31 December 2016;
2. the profit and loss account for 2016; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

#### *Basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Controleprotocol WNT.

Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Vereniging Buma in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Board report and the director's report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Board report and director's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

### Description of the responsibilities for the financial statements

#### *Responsibilities of The Board*

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Supervision Act. Furthermore, The Board is responsible for such internal control as The Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, The Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, The Board should prepare the financial statements using the going concern basis of accounting unless The Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so. The Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### *Our responsibilities for the audit of the financial statements*

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by The Board;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Utrecht, 24 October 2017

KPMG Accountants N.V.  
R.P. van der Brugge RA





# —FINANCIAL STATEMENTS **STEMRA 2016**

# STEMRA BALANCE SHEET AS AT 31 DECEMBER

before appropriation of the result

(x EUR 1,000)

	2016	2015
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible fixed assets (1)	107	202
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Trade receivables (2)	2,240	1,517
Other receivables (3)	3,900	2,429
Taxes and social security contributions	874	1,761
Prepayments and accrued income (4)	18	142
cash and cash equivalents (5)	55,582	53,441
	<b>62,614</b>	<b>59,290</b>
<b>Total assets</b>	<b>62,721</b>	<b>59,492</b>

(x EUR 1,000)

	2016	2015
<b>LIABILITIES</b>		
<b>Reserves (5)</b>		
Foundation capital	1	1
Continuity reserve	5,760	5,760
Appropriated reserve	3,750	3,880
Unappropriated result	1,837	-129
	<b>11,348</b>	<b>9,511</b>
<b>Provisions (7)</b>	<b>39</b>	<b>38</b>
<b>Current liabilities</b>		
Copyright royalties to be distributed (8)	45,483	43,145
Trade creditors	222	272
Taxes and social security contributions	28	24
Other liabilities (9)	1,088	1,403
Accruals and deferred income (10)	4,513	5,099
	<b>51,334</b>	<b>49,943</b>
<b>Total liabilities</b>	<b>62,721</b>	<b>59,492</b>

# STEMRA OPERATING STATEMENT

(x EUR 1,000)	2016	Budget 2016*	2015
<b>INCOME</b>			
Administration fee withheld upon distribution	3,961	3,056	4,755
Entrance and annual fees	782	700	729
<b>Total income</b>	<b>4,743</b>	<b>3,756</b>	<b>5,484</b>
<b>EXPENSES</b>			
Wages and salaries (14, 15)	782	1,559	752
Social security charges (14, 15)	127	254	122
Other personnel costs (14, 15)	855	1,706	2,626
Accommodation expenses	104	285	281
Amortisation and depreciation (1)	155	500	580
Other costs (16)	943	2,644	1,560
<b>Total expenses</b>	<b>2,966</b>	<b>6,948</b>	<b>5,921</b>
<b>Balance of income and expenses</b>	<b>1,777</b>	<b>-3,192</b>	<b>-437</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Interest income and similar income (17)	60	300	308
<b>Balance of financial income and expenses</b>	<b>60</b>	<b>300</b>	<b>308</b>
<b>Result before taxes</b>	<b>1,837</b>	<b>-2,892</b>	<b>-129</b>
Taxes (18)	-	-	-
<b>Net result</b>	<b>1,837</b>	<b>-2,892</b>	<b>-129</b>
Withdrawal from appropriated reserve (6)	<b>1,837</b>	<b>-2,892</b>	<b>-129</b>

\* Budget for 2016 has not been audited by the external auditor.

# CASH FLOW STATEMENT STEMRA

(x EUR 1,000)	2016	2015
<b>BALANCE OF INCOME AND EXPENSES</b>	1,777	-437
<b>Adjustments for:</b>		
Depreciation	102	143
Changes in provisions (7)	1	-700
Changes in operating capital	-2,152	22,866
<b>Cash flow from operations</b>	<b>-2,049</b>	<b>22,309</b>
Interest received	82	320
<b>Changes in copyright royalties to be distributed</b>	<b>2,338</b>	<b>3,838</b>
Cash flow from operating activities	2,420	4,158
<b>Investments in tangible fixed assets (1)</b>	<b>-7</b>	<b>-101</b>
Cash flow from investment activities	-7	-101
<b>Net cash flow</b>	<b>2,141</b>	<b>25,929</b>

(x EUR 1,000)	2016	2015
Cash and cash equivalents as at 1 January	53,441	27,512
Cash and cash equivalents as at 31 December	55,582	53,441
<b>Changes in cash and cash equivalents</b>	<b>2,141</b>	<b>25,929</b>

# STATEMENT OF CHANGES IN COPYRIGHT ROYALTIES TO BE DISTRIBUTED **STEMRA**

(x EUR 1,000)	2016	2015
<b>BALANCE AS AT 1 JANUARY</b>	<b>43,145</b>	<b>39,307</b>
<b>collection:</b>		
Music use in the Netherlands	28,814	34,682
CMOs Abroad	5,082	4,581
<b>Revenue from copyright royalties (8)</b>	<b>33,895</b>	<b>39,263</b>
<b>Distributions to:</b>		
Directly affiliated rights owners	-24,993	-27,307
CMOs Abroad	-2,603	-3,363
<b>Distributions (8)</b>	<b>-27,596</b>	<b>-30,670</b>
Administration fee withheld upon distribution	-3,961	-4,755
<b>Withholdings (8)</b>	<b>-3,961</b>	<b>-4,755</b>
<b>Balance as at 31 December</b>	<b>45,483</b>	<b>43,145</b>

The change compared to last year is 2,338 (2015: 3,838); see 'Changes in copyright royalties to be distributed' in the 'Stemra cash flow statement'.

# NOTES TO THE STEMRA FINANCIAL STATEMENTS

## Objective in accordance with the Articles of Association, registered office and business address

The objective of Stichting Stemra (the Foundation or Stemra) is to promote both the tangible and the intangible interests of songwriters and composers and their successors in title, and of publishers and publishing companies as a non-profit institution. Stemra stands for Stichting tot Exploitatie van Mechanische Reproductierechten voor Auteurs [Foundation for Exploitation of Mechanical Reproduction Rights for Authors]. The registered offices of Stichting Stemra are located in Amstelveen, and its head office is located on the Siriusdreef 22-28 in Hoofddorp.

## Period under review

These financial statements concern the 2016 financial year, which ended on the balance sheet date 31 December 2016.

## Accounting principles used in the preparation of the financial statements

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code, as required by Section 2, paragraph 2 under a(i) of the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Disputes Settlement) Act (Supervision Act). In addition, the applicable quality mark criteria of VOI@E (the association of organisations that collectively manage intellectual property) have been taken into account.

## Going concern

The financial statements were prepared based on the going-concern principle.

## Comparative figures

After having been adopted, a number of immaterial misstatements was discovered in the 2015 financial statements. These immaterial misstatements have been processed on the balance sheet and in the operating statement in 2016. Due to these adjustments, the item 'Copyright royalties to be distributed', the balance of which at year-end 2015 was EUR 43.1 million, increased by EUR 0.1 million in 2016. A total release of EUR 0.5 million from other reserves at year-end 2015 was credited to the result in 2016 as adjustment to 'Other expenses', meaning that the net result increased by the same amount. The effect of the aforementioned non-material errors detected in the cost percentage for 2015, being the management costs for the year in relation to collection, is 1.3% positive.

Stemra also introduced a change in notes to the financial statements in 2016. This concerns a note regarding an off-balance sheet asset item; a pension contribution deposit that is held with PNO Media Sector pension Fund. For more details, please refer to note 12.

In respect of the 2015 comparative figures, we should note that these have not changed in any aspect compared to the figures reported in the 2015 financial statements. Should there still be a relevant (presentation) change that has been recognised in the 2016 financial statements, but not in the comparative figures for 2015, it is disclosed separately with the relevant item(s).

## PRINCIPLES USED FOR THE VALUATION OF ASSETS AND LIABILITIES AND FOR DETERMINING THE RESULT

### General

Assets and liabilities are stated at nominal value, unless specified otherwise in the further principles. An asset is stated on the balance sheet if it is likely that the future economic benefits will flow to the company and the value of it can be determined reliably.

A liability is stated on the balance sheet if it is likely that its settlement will result in an outflow of resources that contain economic benefits and the amount of it can be determined reliably.

An asset or liability recognised on the balance sheet remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a significant change in the economic substance with respect to the asset or liability.

An asset or liability is no longer stated on the balance sheet if a transaction results in all or virtually all the rights to economic benefits and all or virtually the risks with respect to the asset or liability being transferred to a third party. Income is recognised in the operating statement when an increase in the economic potential, associated with an increase in an asset or a decrease in a liability, has taken place, of which the amount can be determined reliably. Expenses are recognised in the operating statement when a decrease in the economic potential, associated with a decrease in an asset or an increase in a liability, has taken place, of which the amount can be determined reliably.

Income and expenses are allocated to the period to which they relate.

The functional currency of Stichting Stemra is the euro. All the amounts are rounded to thousands of euros unless specified otherwise.

### Estimates and assumptions

In the preparation of the financial statements, the Director's makes use of estimates and assumptions when applying the accounting principles and determining the reported amounts for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and various other factors which are considered to be reasonable given the circumstances and which are assessed periodically. Actual results may differ from these estimates and assumptions. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

In the view of the Board, the following change principles are the most critical to the presentation of the of the financial position and the required estimates and assumptions:

- Valuation of receivables;
- Actuarially calculated provision, such as the long-service provision;
- Claims by licence holders and/or rights owners related to the collection and distribution of copyright royalties;
- Allocation of non-attributable indirect costs of Buma to Stemra (see note 13).



# NOTES TO THE STEMRA FINANCIAL STATEMENTS

## Foreign currency

Transactions denominated in foreign currency are converted into euros at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities in foreign currency are converted into euros on the balance sheet date at the applicable exchange rate on this date. Exchange rate differences arising from the settlement of monetary items, or arising from the conversion of monetary items in foreign currency, are recognised in the operating statement in the period in which they arise.

Non-monetary assets and liabilities in foreign currency that are recognised at historical cost are converted into euros at the exchange rate prevailing on the transaction date. Exchange rate differences upon conversion are recognised in the operating statement.

## Consolidation

The financial statements of Stichting Stemra concern the company financial statements. In accordance with the applicable laws and regulations, there is no group relationship with related organisations, except for Stichting Stemra Beleggingsfonds.

## Stichting Stemra Beleggingsfonds

Stichting Stemra Beleggingsfonds (SBF) is a foundation that was established to facilitate Stichting Stemra's investment policy. The Board of this foundation is the same as the Board of Stichting Stemra. The foundation invests for the account and risk of Stichting Stemra, the legal ownership of the securities lies with Stichting Stemra Beleggingsfonds itself in order to be able to carry out the necessary management tasks; the economic ownership of the investments lies with Stichting Stemra. As the size of the SBF is of negligible significance in relation to Stemra's total financial statements, there was no consolidation. During 2015 and 2016, Stichting Stemra did not hold any investments.

## Vereniging Buma

Pursuant to the provisions of the Copyright Act, Buma was established to represent its rights owners in a large number of operating areas. At a later stage, following the advent of recording equipment, Stichting Stemra was founded to represent its rights owners in this field, too. Despite Vereniging Buma and Stichting Stemra working together as one organisation, there is no group relationship because of legal provisions and strict segregation of economic entity.

## Financial instruments

Financial instruments comprise primary instruments (receivables, securities, cash and cash equivalents and liabilities). Financial instruments are initially recognised at fair value with directly attributable transaction costs being included in the initial recognition. If, however, financial instruments are subsequently recognised at fair value with changes in value taken to the operating statement, attributable direct transaction costs upon initial recognition are taken directly to the operating statement.

After initial recognition, financial instruments are recognised as follows:

- *Receivables are carried at amortised cost using the effective interest rate method. Provisions deemed necessary for the risk of uncollectibility are withheld. These provisions are determined based on individual assessments of the receivables;*

- *Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not freely available, this is taken into account in the valuation. Cash and cash equivalents denominated in foreign currency are converted into the functional currency at balance sheet at the exchange rate prevailing on that date. We further refer to the price principles for foreign currency;*
- *Liabilities are carried at amortised cost using the effective interest rate method. The effective interest is taken directly to the operating statement. The repayment obligations of the non-current liabilities for the year ahead are carried under the current liabilities.*

Stemra does not hold a trade portfolio and does not have any derivative financial instruments.

## Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or manufacture less cumulative depreciation and impairments. Depreciation charges are calculated as a percentage of the acquisition costs in accordance with the straight-line method based on the estimated useful life. Prepayments on fixed assets are not amortised or depreciated. Tangible fixed assets are assessed at each balance date for indications that these assets are subject to impairment. If such indications are present, the realisable value of the asset is estimated. The realisable value is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the realisable value, an impairment is recognised for the difference between the carrying amount and the realisable value.

The estimated useful life is as follows:

- *hardware/computer equipment 3 year*

## Continuity reserve

The aim of the continuity reserve is, among other things, to ensure the continuity of the performance of the activities and the fulfilment of obligations to third parties, including with regard to the distribution of copyright royalties that still have to be distributed according to the financial statements.

## Appropriated reserve

Because of the system of fixed administration fees to cover the costs, an operating result is expected each year. This result changes in the appropriated reserve. If the appropriated reserve is sufficient, part of it is released in the copyright royalties to be distributed.

## PROVISIONS

### General

A provision is included in the balance sheet for a legally enforceable or constructive obligation arising from a past event, when it is probable that an outflow of funds will be required for the settlement of such an obligation, and for which the amount can be estimated reliably. Provisions are valued at the present value of the expenses that are expected to be necessary in order to settle the obligation.

### Long-service provision

The long-service provision is for future long-service awards for active employees with a permanent employment contract. The provision concerns the estimated value of future long-service awards payments. The calculation is based on actual commitments, stay rates and age.

## Employee pension plan

Stichting Stemra offers its employees an average-wage pension plan with pension benefits based on the average wage. This pension plan is administrated by Stichting Bedrijfstakpensioenfonds voor de Media, PNO (Sectoral Pension Fund Foundation for the Media). The pension contributions payable for the financial year are recognised as costs. A liability is recognised for unpaid pension contributions as at balance sheet date. As pension obligations are of a short-term nature, these are measured at nominal value. The risks in connection with wage developments, price indexation and investment returns on the value of the fund could possibly lead to future adjustments in the annual contributions to the pension fund. These risks are not reflected in a provision included on the balance sheet. In the case of a shortfall at the sector pension fund, Stichting Stemra is not obliged to pay additional contributions other than higher future pension contributions.

## Leasing

The company can agree financial and operational lease contracts. A lease agreement where all or substantially all the benefits and risks associated with the ownership of the leased asset are borne by the lessee qualifies as a financial lease. All other lease agreements classify as operational leases. In the lease classification, the economic substance of the transaction is decisive and not so much the legal form. The company can agree financial and operational lease contracts. A lease agreement where all or substantially all the benefits and risks associated with the ownership of the leased asset are borne by the lessee qualifies as a financial lease. All other lease agreements classify as operational leases. The economic substance of the transaction is decisive for the lease classification and not so much the legal form.

## Operational leases

If the company acts as lessee in an operational lease, the leased asset is not capitalised. Fees received as an incentive to conclude an agreement are recognised as a reduction in the lease costs over the lease period. Lease payments and fees pertaining to operational leases are debited or credited to the operating statement using the straight-line method over the lease period, unless a different allocation system is more representative of the pattern of the benefits to be gained from the leased asset.

## Copyright royalties

Buma recognises a receivable in respect of copyright royalties when the amount can be determined reliably, it is probable that it will flow to Buma, and it is enforceable as at balance sheet date. Copyright royalties received from other, mainly international, Collective Management Organisations (CMOs) are generally recognised on a cash basis, as the amount cannot be determined reliably at an earlier time. Copyright royalties are recognised on the balance sheet in the item 'Copyright royalties to be distributed'. The distribution rules set out the rules for the distribution and payment of music copyright royalties received by Stemra to the participants and other stakeholders. The distribution rules are reviewed by the Board every three years.

As part of the distribution process, reserves are formed for, among other things:

- Works for which Buma has insufficient information to be able to distribute royalties, for example because information on rights owners, copyright

details or cue sheets for films, series or commercials is missing;

- Works for which the cumulative revenue is lower than the threshold for distribution (non-distributed items);
- Claims regarding the distribution (also with a view to the indemnification Buma provides to the paying licensee\*).

The reserve is based on empirical data regarding claims per distribution section that were deemed to be justified and were paid out, and lies between 0 and 2 per cent.

\* In the agreement between Stemra and the licensee, Buma indemnifies the licensee against claims by rights owners affiliated directly or via sister societies. Furthermore, we refer to Section 26 a-c of the Copyright Act, which lays down mandatory collective management.

Reserves are periodically reviewed and distributed when the necessary information has been added or, in the case of a non-distributed item, when the threshold for distribution has been attained. Reserves that have not distributed within three calendar years after the year of collection are divided proportionally over the various distribution sections and distributed via the regular distribution in the fourth calendar year after collection (in accordance with the Supervision Act). For works that are claimed by multiple rights owners (double claims), no distribution takes place until it is clear who the rights owner is. A longer reserve term can be used for royalties received from sister societies with insufficient information for distribution.

## Administration fee

The administration fee is recognised as income in the operating statement. Upon distribution to rights owners, a percentage of the collected copyright royalties is withheld and recognised in the year of distribution as income in the operating statement under 'Administration fee withheld', as the amount of the 'Administration fee withheld upon distribution' can be determined reliably at that time.

## Financial income and expenses

Interest income and expenses are recognised in the period to which they relate.

## Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows denominated in foreign currency are converted at an estimated average exchange rate. Exchange rate differences related to cash balances are shown separately in the cash flow statement. Interest received is shown as cash flow from operating activities.

In the presentation of the cash flow statement, the copyright royalties received on behalf of the rights owners and the distributions made to the affiliated rights owners, the CMOs abroad, are not recognised in the cash flow statement. The cash flows associated with the copyright royalties to be distributed by Stemra are disclosed separately. Stemra cannot use the copyright royalties to be distributed to finance its own cash requirements.

## Taxes

Taxes comprise the current and deferred income tax for the reporting period. The taxes are recognised in the operating statement.

The current and deductible tax for the financial year is the expected

tax payable on the taxable profit for the financial year, calculated on the basis of tax rates that have been enacted as at balance sheet date. The Dutch Tax and Customs Administration has determined in a settlement agreement valid until 31 December 2017 that Stichting

Stemra is subject to corporation tax. Deductible foreign withholding tax and Dutch dividend tax may be deducted from the tax due pursuant to this settlement agreement. Consequently, no corporation tax is due for the 2016 financial year.

# NOTES TO FINANCIAL STATEMENTS OF STEMRA

## (1) TANGIBLE FIXED ASSETS

The changes in tangible fixed assets are as follows:

(x EUR 1,000)	Hardware/computer equipment
Cost of acquisition until 31 December 2015	1,263
Cumulative depreciation until 31 December 2015	-1,061
<b>Carrying amount as at 1 January 2016</b>	<b>202</b>
Investments during financial year	7
Depreciation during financial year	-102
Disposals in financial year	-597
Depreciation of disposals in financial years	597
<b>Changes in carrying amount</b>	<b>-95</b>
Total cost of acquisition	673
Cumulative depreciation	-566
<b>Carrying amount as at 31 December 2016</b>	<b>107</b>

In addition to the depreciation of tangible fixed assets shown in the table above, the total amortisation and depreciation costs in the operating statement also contains a charge-on from Buma of EUR 0.1 million for the amortisation costs and impairments of intangible fixed assets.

## (2) RECEIVABLES

The trade receivables includes an amount of EUR 0.9 million (2015: EUR 0.9 million) with a residual term of more than one year. All the other receivables have an expected residual term of less than one year.

The carrying amount of the included receivables approximates the fair value, given the short-term nature of the receivables and the fact that a provision for bad debt has been formed where deemed necessary.

The carrying amount of the receivables is reduced by the provision for bad debt. The total provision for bad debt at year-end 2016 is EUR 1.2 million (2015: EUR 0.7 million). In the past, a provision for bad debt was formed for receivables already submitted upon bankruptcy. For determining the provision in 2016, the total debtor portfolio is included in determining the amount of the provision.

## (3) OTHER RECEIVABLES

(x EUR 1,000)	2016	2015
Stemra affiliates	169	1,118
Current account with Buma	3,727	1,311
Other	4	-
<b>Total</b>	<b>3,900</b>	<b>2,429</b>

Other receivables are due within one year.

#### (4) PREPAYMENTS AND ACCRUED INCOME

(x EUR 1,000)

	2016	2015
Interest receivable	3	14
Other prepayments and accrued income	15	128
<b>Total</b>	<b>18</b>	<b>142</b>

The prepayments and accrued income have a residual term of less than one year.

#### (5) CASH AND CASH EQUIVALENTS

(x EUR 1,000)

	2016	2015
Cash and cash equivalents	55,582	53,441
<b>Total</b>	<b>55,582</b>	<b>53,441</b>

The cash and cash equivalents are freely available. All the cash and cash equivalents are held with Dutch system banks.

#### (6) RESERVES

(x EUR 1,000)

	Foundation capital	Continuity reserve	Appropriated reserve	Unappropriated Result	Total 2016
<b>Balance as at 1 January 2015</b>	<b>1</b>	<b>5,760</b>	<b>6,221</b>	<b>-2,342</b>	<b>9,640</b>
Appropriation of the result of the previous year	-	-	-2,342	2,342	-
Result for the financial year	-	-	-	-129	-129
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-2,342</b>	<b>2,213</b>	<b>-129</b>
<b>Balance as at 31 December 2015</b>	<b>1</b>	<b>5,760</b>	<b>3,879</b>	<b>-129</b>	<b>9,511</b>
<b>Balance as at 1 January 2016</b>	<b>1</b>	<b>5,760</b>	<b>3,879</b>	<b>-129</b>	<b>9,511</b>
Appropriation of the result of the previous year	-	-	-129	129	-
Result for the financial year	-	-	-	1,837	1,837
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>-129</b>	<b>1,966</b>	<b>1,837</b>
<b>Balance as at 31 December 2016</b>	<b>1</b>	<b>5,760</b>	<b>3,750</b>	<b>1,837</b>	<b>11,348</b>

Pursuant to article 18 paragraph 3 of the Foundation's Articles of Association, the Board decides on the appropriation of the result. To this end, the Board appropriates all or part of the result for the formation of, addition to or withdrawal from one or more general or special (appropriated) reserves. The Board has proposed to add the result of EUR 1.8 million to the appropriated reserve. After addition of the result of EUR 1.8 million to the appropriated reserve, the reserve will amount to EUR 5.5 million (EUR 3.7 million + EUR 1.8 million) (2015: EUR 3.7 million).

# NOTES TO FINANCIAL STATEMENTS OF STEMRA

## (7) PROVISIONS

(x EUR 1,000)	2016	2015
Long-service provision	39	38
<b>Total</b>	<b>39</b>	<b>38</b>

Changes in the provision for long-service awards are as follows:

(x EUR 1,000)	2016	2015
<b>Balance as at 1 January</b>	<b>38</b>	<b>43</b>
Interest payment	1	1
Release credited to the result	3	-3
Distribution	-3	-3
Change in interest rate	-	-
<b>Total changes</b>	<b>1</b>	<b>-5</b>
<b>Balance as at 31 December</b>	<b>39</b>	<b>38</b>

This provision concerns payments to employees based on their length of service and is largely long term.

The long-service provision includes an amount of EUR nil (2015: EUR 2) with a residual term of less than one year.

## (8) COPYRIGHT ROYALTIES TO BE DISTRIBUTED

The revenues to be distributed at balance sheet date can be specified as follows:

(x EUR 1,000)	2016	2015
Reserve for copyright royalties	8,468	7,587
Copyright royalties to be distributed from financial year	34,497	33,029
<b>Copyright royalties to be distributed excluding reserve for double claims</b>	<b>42,965</b>	<b>40,616</b>
Reserve for double claims	2,518	2,529
<b>Total</b>	<b>45,483</b>	<b>43,145</b>

On balance, the copyright royalties to be distributed are up EUR 2.4 million on last year. This increase is largely (EUR 2.2 million) attributable to Private Copying revenues that, in accordance with the current distribution rules are awarded to publishers, are provisionally reserved in anticipation of greater clarity on whether publishers have a claim on revenues from the Private Copying levy.

Part of the copyright royalties to be distributed has a long-term character. The disclosure below by annual tranche provides insight into the development of copyright royalties to be distributed and the structure by annual tranches.

The development of the copyright royalties to be distributed by annual tranche is as follows:

(x EUR 1,000)	Balance as at 1 January	Accrued in finan- cial year (including release)	Distributed in financial year	Release in finan- cial year	Balance as at 31 December
Previous years	5,797	-	-222	-1,251	4,324
2013	1,598	-	-12	-	1,586
2014	2,722	-	-129	-	2,593
2015	33,028	-	-30,545	-	2,483
2016	-	35,146	-649	-	34,497
<b>Total (including administration fee withheld upon distribution)</b>	<b>43,145</b>	<b>35,146</b>	<b>-31,557</b>	<b>-1,251</b>	<b>45,483</b>
Administration fee withheld upon distribu- tion			3,961		
<b>Total distributed to affiliates and participants</b>			<b>-27,596</b>		

In addition to the double claim reserve of EUR 2.0 million, the reserve for collections in the years before 2013 mainly consists of revenues received from sister societies for which the information for a correct distribution is not yet available. A release from the reserves for copyright royalties of EUR 1.3 million was added to the amount available for distribution. The organisation still has to incur costs in 2017 for the distribution of the copyright royalties yet to be distributed.

The composition of the copyright royalties that became available for distribution during the financial year is as follows:

(x EUR 1,000)	2016	2015
Revenue from copyright royalties	33,895	39,263
Addition from release of copyright royalty reserves	1,251	1,010
<b>Became available during the year for distribution</b>	<b>35,146</b>	<b>40,273</b>

The copyright royalties were received from the following categories:

(x EUR 1,000)	2016	2015
Phono-Mechanical right BIEM / Central Licensing	6,192	6,169
PIEB (custom pressing) / Special Licensing	4,922	4,919
Radio & TV	6,970	6,046
Online	4,596	3,793
Private Copying / Public Lending Rights	6,214	13,414
Reprographic right	-81	341
Abroad	5,082	4,581
<b>Total</b>	<b>33,895</b>	<b>39,263</b>



**(9) OTHER LIABILITIES**

(x EUR 1,000)	2016	2015
Stemra affiliates and participants	297	1,089
Foreign sister societies	3	117
Amounts invoiced in advance	788	197
<b>Total</b>	<b>1,088</b>	<b>1,403</b>

The amounts invoiced in advance concern the annual and registration fees payable to Stemra by the affiliates. These fees were previously recognised fully on the Buma balance sheet and settled via the current account position between Buma and Stemra. As at year-end 2016, these fees are accounted for as a liability in the Stemra financial statements.

The other liabilities are payable within one year.

**(10) ACCRUALS AND DEFERRED INCOME**

(x EUR 1,000)	2016	2015
Dutch industry advance payments	3,848	4,014
Invoices to be paid	49	751
To be settled with industry and private production	263	254
Holiday allowance and annual leave	79	80
Other	274	-
<b>Total</b>	<b>4,513</b>	<b>5,099</b>

'Dutch industry advance payments' include the invoiced advance payments on reproduction rights that have yet to be settled by the Dutch industry for the periods until year-end 2016. Advance payments are offset against the final settlement.

As at year-end 2015, Stemra had an obligation related to a claim, which was settled in 2016. Partly for this reason, the balance of the item 'Invoices to be paid' is lower in 2016 compared to 2015.

The accruals and deferred income are due within one year.

**(11) FINANCIAL INSTRUMENTS**

Stemra's most important financial instruments concern cash and cash equivalents (88% of the balance sheet total; 2015: 90%). Cash and cash equivalents mainly concern royalties that cannot yet be distributed to the rights owners. The cash and cash equivalents are deposited with Dutch system banks. The other financial instruments included under the assets are receivables (12% of the balance sheet total; 2015: 10%), which are valued at amortised cost. Receivables are generally non-interest bearing, with the exception of loans to Buma for which a variable 1-month Euribor interest + 1% is paid. The interest on cash and cash equivalents is marginal. The maximum credit risk with regard to receivables and cash and cash equivalents equals the carrying amount. There is no concentration of the credit risk.

The financial liabilities represent 82.0% of the balance sheet total (2015: 84%). The main component of this are the copyright royalties to be distributed (72% of the balance sheet total; 2015: 73%). This is measured at amortised cost. Financial liabilities are non-interest-bearing. The fair value of all the financial instruments approximates the carrying amount. There are no financial instruments with a carrying amount exceeding the fair value. As at the end of the financial year, Stemra does not have any derivative financial instruments and does not apply hedge-accounting.

**(12) OFF-BALANCE SHEET ASSETS AND LIABILITIES**

Vereniging Buma and Stichting Stemra work together as one organisation under one Board, one Council of Members and one Management. The off-balance sheet assets and liabilities were entered into for the outsourcing by Buma and Stemra jointly and are included in full both by Vereniging Buma and Stichting Stemra.

## MULTI-YEAR RIGHTS AND OBLIGATIONS (CONCERNING PNO MEDIA DEPOSIT)

The future pension charges for Buma and Stemra has been capped at 15% of the integral salary total in so far as a deposit earmarked for this purpose, totalling EUR 732,000\* at year-end 2016, of which EUR 180,000 at the end of 2016 was placed with Buma (in the item 'Other liabilities'), offers sufficient financing. This deposit was created at the beginning of 2008 upon the collective pension value transfer from Stichting Pensioenfonds Buma en Stemra (SPBS) to PNO Media.

Because of a higher funding ratio of SPBS compared to PNO Media, the collective value transfer resulted in an additional value of EUR 4.2 million. At the time, EUR 2.7 million was used to increase the pension rights of all the participants in SPBS (active, pensioners and sleepers).

With the consent of all the parties involved, including the employees of Buma and Stemra, represented by the Works Council, the remaining EUR 1.5 million was earmarked as a pension charge equalisation fund for the employer, i.e. Buma or Stemra; i.e. equalisation of the future pension charges in so far as they exceed 15% of the salary total. This 15% (of the salary total) was the prevailing pension charge for Buma and Stemra at the time.

Because the indexation of the pension rights prior to the collective value transfer was conditional on the value development of the investments and would continue after the transfer through an increase in the actual pension contribution burden and, as such, the indexation of the rights had obtained a greater degree of certainty, it was decided to pay up any pension burden exceeding the previously prevailing threshold of 15% through the extra value obtained upon the collective pension transfer for a series of years.

After all, the pension contribution burden would in any case increase, compared to the pension plan before the collective value transfer, through the improved indexation scheme. This concerns the aforementioned remainder of EUR 1.5 million. The likely term within which the deposit would be used before the pension equalisation was 10 years based on the knowledge at that time.

At year-end 2016, of the original deposit of EUR 1.5 million, almost 50% (EUR 732,000) is still available. This deposit has no impact on the financial position of Buma and Stemra, nor on the item 'Copyright royalties to be distributed'. The deposit can only be used to compensate future pension charges if and when they exceed 15% of the salary total. It can also be reduced should PNO Media find itself in a situation where the pension rights of all the participants are reduced based on the requirements and instructions of the regulator, DNB, under a situation of serious and persistent cover shortfalls. No such situation exists at the moment.

In conclusion, neither the called-up part of the deposit of EUR 552,000 nor the equally large nominal value of the corresponding uncertain future pension obligations (these are Buma and Stemra's pension obligations to the extent that they exceed 15% of the integral salary total in the same financial year) has been recognised on the balance of either entity.

The deposit, after all, is only available to Buma and Stemra at the same moment that an equally large obligation arises and, with it, this part of the deposit can be called up, but at the same time also be used for this purpose alone. The called-up part of the deposit at year-end 2016 (EUR 180,000) is included in the cash and cash equivalents of Buma and can only be used to cover future pension charges that exceed 15% of the salary total. This amount has therefore been recognised as a deferred liability on the balance sheet of Buma.

An assessment will be made in 2017 of whether the called-up part of the deposit (EUR 180,000) should be returned to PNO Media.

## NON-CURRENT LIABILITIES

The allocation of costs between Buma and Stemra for each liability is specified in the notes. Liabilities concerning the renting of the business premises and the operational lease expenses for coffee machines, lease cars and copiers have been entered into by Buma. Costs for these are charged to Stemra based on 90% Buma and 10% Stemra. These costs have been included in the off-balance sheet assets and liabilities.

As at 31 December, the recognised off-balance sheet assets and liabilities have the following residual term:

(x EUR 1,000)	2016	2015
<b>Joint contracts with Vereniging Buma</b>		
Less than 1 year	788	810
Between 1 and 5 years	6,066	6,777
Longer than 5 years	-	-
<b>Total</b>	<b>6,854</b>	<b>7,587</b>

The non-current liabilities in the table above concern costs for outsourcing activities. The outsourcing contracts have been entered together with Vereniging Buma. The liabilities therefore concern both Buma and Stemra.

\* This amount has not been split between Buma and Stemra.

### **Outsourcing of activities - Accenture**

Vereniging Buma and Stichting Stemra have jointly entered into the contractual obligation to outsource a large part of the back-office activities to Accenture until 31 March 2019. The resulting financial obligation for the remaining term of the contract included in the table above amounts to EUR 7.6 million at unchanged volumes. The costs are allocated in the ratio 90% / 10% between Buma and Stemra. An advance payment of EUR 3.4 million was already made in 2015 in connection with this obligation for 2017.

### **Outsourcing of activities – ICE Copyright**

Vereniging Buma and Stichting Stemra jointly entered into the obligation for a period of five years (as from March 2015) to outsource their musical works database to ICE. The remaining financial obligation resulting from this amounts to EUR 1.9 million (SEK 17.8 million). The ICE costs are shared 90% / 10% by Buma and Stemra.

### **Outsourcing of activities – ICE Online**

Vereniging Buma and Stichting Stemra have jointly entered into the obligation for a period of five years (as from March 2015) to outsource the processing of online music use to ICE. The remaining financial obligation arising from this is EUR 0.5 million. These costs are divided between Buma and Stemra on a 90%/10% basis.

### **Claims**

A number of claims have been lodged against Stichting Stemra, which it disputes, as well as a number of claims for which an outflow of funds is expected. A reserve has been formed for the claims where an outflow of funds is expected. Although the outcome of these disputes cannot be predicted with certainty, it is assumed – also based on legal advice – that these disputes will not have a significant negative effect on the reported financial position of Stemra.

### **(13) RELATED PARTIES**

The following parties are considered to be related parties of Stichting Stemra: Vereniging Buma, the Management under the Articles, the Board members and the Council of Members of Vereniging Buma and Stichting Stemra. For more information on the remuneration of the board members, the members of the Council of Members and the Management, see note (14). Normal transactions relating to the management of copyrights held by Board members, or involving members of the Council of Members or related parties of Board members or members of the Council of Members, are not explicitly disclosed in the financial statements.

In recent years, the Buma/Stemra costs that were not directly allocable to Buma or Stemra have been allocated using a 75/25 allocation key, with Buma having borne 75% of the non-allocable costs. In 2016, the Board decided to adjust this cost allocation key to 90/10. This meant an increase in the costs of Buma compared to 2015, while the costs of Stemra, on the other hand, were lower compared to last year.

The decision to adjust the costs that are not directly allocable between Buma and Stemra in 2016 is based, among other things, on the different development of the copyright royalty revenues between both entities in recent years (increasing at Buma and decreasing at Stemra) and the significantly increased complexity and corresponding IT developments at Buma compared to Stemra. There was also evidence that Stemra has had operating shortfalls for years due to falling revenues in combination with limited adjustment in cost level.

To a certain extent, both the old and the new allocation of the costs that are not directly allocable between Buma and Stemra have an arbitrary character. Nevertheless, the Board believes that the new cost allocation adequately approximates the intrinsic level of activities of both entities and their current joint not directly attributable costs based on the above reasons by means of the changed allocation of (90:10 versus 75:25) allocated to both CMOs.

The adjustment basically applies to a period of three years maximum and will be evaluated in detail in 2018. This in combination with exploring the possibilities for a further legal integration of both CMOs.

The charged-on costs for 2016 are EUR 2.1 million (2015: EUR 5.6 million). Charged-ons are based on cost.

Any distributions of copyright royalties to Board members and members of the Council of Members, or to related parties of Board members or members of the Council of Members, have been calculated in the same manner as the payments to all members and have been paid out in accordance with the normal procedures within Stemra. Due to the relationships within the sector, Board members and members of the Council of Members can also be related parties as customers of Buma, such as through a music-related service that Buma uses. Transactions with these parties are carried out at arm's length and under conditions that are no different from the conditions that would have been agreed with other parties.

**(14) PERSONNEL COSTS**

(x EUR 1,000)

	2016	2015
Salaries	782	752
Social security contributions	127	122
Pension costs	74	73
Other personnel costs	26	18
	<b>1,009</b>	<b>965</b>
Allocated by third parties	755	2,535
<b>Total</b>	<b>1,764</b>	<b>3,500</b>

The decrease in personnel costs allocated by third parties can be attributed to the adjustment of the allocation key between Buma and Stemra for costs that cannot be directly allocated to either entity from 75% Buma 25% Stemra to 90% / 10%.

The funding ratio of the pension plan administrator Stichting Bedrijfstakpensioenfonds voor de Media PNO as at 31 December 2016 amounted to: 91.3% (31 December 2015: 97.3 %). Since the current funding ratio at the end of 2016 was above the critical minimum threshold of around 90%, PNO Media does not have to reduce the pensions in 2017. Because of the relatively low funding ratio, PNO Media submitted a recovery plan to DNB in 2015, which was approved. As a result of this recovery plan, it is expected that indexation of the pensions will be possible again in 2019 and that the funding ratio will have attained the required level of 124% again in 2024. No notification has been received from PNO Media that the recovery plan has been adjusted to the circumstances on the markets, which led to a decrease instead of the intended increase in the funding ratio in 2016 compared to 2015.

In 2016, the average number of FTEs increased compared to 2015. During the 2016 financial year, the average number of employees in full FTEs was 15.2 (2015: 14.7 FTEs). In accordance with the table below, the workforce can be divided into the following personnel categories.

	2016	2015
General affairs	2.8	2.2
Front office	8.2	8.3
Back office	4.2	4.2
<b>Total</b>	<b>15.2</b>	<b>14.7</b>

#### (15) REMUNERATION OF THE BOARD, COUNCIL OF MEMBERS AND DIRECTOR'S

By virtue of the Supervision Act, which came into force on 1 July 2013, a number of paragraphs in the Public and Semi-Public Sector Senior Officials (Standard Remuneration) Act (WNT) were declared applicable to collective management organisations (CMOs). Vereniging Buma and Stichting Stemra work together as one organisation under one Board, one Council of Members and one Management. The agreements with the Director's, the Board and the Council of Members have been entered into by Buma and Stemra jointly. The total remuneration of the Director's, the Board and the Council of Members is specified in the tables below on a cash basis, in accordance with Section 4.1 of the WNT, in particular for those persons who have been designated as 'senior officials' of Vereniging Buma by Buma/Stemra on the CvTA's advice. However, 50% of the costs for the Board and the Council of Members is recognised in the financial statements by Buma and 50% by Stemra. The remuneration of the Director's is reported in the financial statements of Buma and Stemra based on 90% / 10% respectively.

Stichting Stemra has applied the Policy Rules for the application of the WNT 2016, as well as the Collective Management Policy Framework of the CvTA, as a reference framework in preparing these financial statements. Pursuant to Section 4.1 of the WNT, details are provided below of the persons whom Buma/Stemra has designated as 'senior officials' of Stichting Stemra based on the CvTA's advice, being the members of the Director's, the Board and the Council of Members. The remuneration of the Management was agreed prior to the coming into force of the WNT and is therefore subject to the statutory transitional scheme.

In accordance with the statutory transitional scheme as implemented by Buma/Stemra in accordance with the current implementation of the WNT, the remuneration of the CFO will be respected by Stemra for a period of four years after the coming into effect of the Supervision Act, after which the agreed remuneration will be reduced in a period of three years to 130% of the salary of a Minister of State (WNT-1 norm) and will then be reduced in two years to the WNT-2 norm, being the salary of a Minister of State. In 2016, the 130% norm was EUR 230,474 and the 100% norm EUR 179,000.

In accordance with the statutory transitional scheme as implemented by Buma/Stemra in the current implementation of the WNT via the Supervision Act, the remuneration of the General Counsel will be respected by Stemra for a period of four years after the coming into effect of the WNT for Stemra, after which the agreed remuneration will be reduced in a period of three years to the salary of a Minister of State. This norm was EUR 179,000 in 2016.

The employment contract with the Director, Van der Ree, was terminated on 1 February 2016. In accordance with employment agreement, Mr Van der Ree received a severance payment of EUR 484,868. Because the severance had been agreed in 2015, the severance payment was recognised in the costs of 2015.

The employment contract with the COO, Van de Kamer, was terminated on 30 September 2016. Parties agreed a severance payment of EUR 46,000.

The remuneration per individual over 2016 - as defined in the Supervision Act - can be specified as follows (in €)\*:

Name	Position	Employment contract	Remuneration 2016	Name	Position	Employment contract	Remuneration 2016
<b>Leo de Wit</b>	Chair of the Board	1 Jan. - 31 Dec. 40%	46,211	<b>Davo van Peursen</b>	Chair of the Council of Members	1 Jan. - 31 Dec.	8,096
<b>Henk Westbroek</b>	Vice-chair Board	1 Jan. - 31 Dec. 25%	15,746	<b>Iason Chronis</b>	Vice-chair of the Council of Members	1 Jan. - 31 Dec.	6,578
<b>Bèr Deuss**</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Mark Bremer</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Loek Dikker**</b>	Board member	1 Jan. - 15 June 20%	6,320	<b>Brian Dessaur</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Anthony Fiumara</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Hans Everling</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>René Meister</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Marcin Felis</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Arriën Molema</b>	Board member	1 Jan. - 31 Dec. 20%	13,277	<b>Ward Henselmans</b>	Member of the Council of Members	1 Jan. - 15 June	2,530
<b>Pieter Perquin</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Thomas Kalksma</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>André de Raaff</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Wim Kwakman</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Martijn Schimmer</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Monique Krüs</b>	Member of the Council of Members	1 Oct. - 31 Dec.	1,128
<b>Marc Swemle</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Bart van de Lisdonk</b>	Member of the Council of Members	15 June - 31 Dec.	2,752
<b>Raymond van Vliet</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Maarten van Norden</b>	Member of the Council of Members	1 Jan. - 14 Sep.	3,795
<b>Johan van der Voet</b>	Board member	15 June - 31 Dec. 20%	6,606	<b>Beatrice van der Poel</b>	Member of the Council of Members	1 Jan. - 31 Dec.	5,060
<b>Niels Walboomers</b>	Board member	1 Jan. - 31 Dec. 20%	12,144	<b>Gé Reinders</b>	Member of the Council of Members	1 Jan. - 15 June	2,530
				<b>Rita Zipora</b>	Member of the Council of Members	15 June - 31 Dec.	2,738

\* This concerns the total remuneration received from Buma/Stemra.

\*\* The remuneration includes the variable component for 2015.

The remuneration per individual over 2015 - as defined in the Supervision Act - can be specified as follows (in €)\*:

Name	Position	Employment contract	Remuneration 2015	Name	Position	Employment contract	Remuneration 2015
Leo de Wit	Chair of the Board	1 Jan. - 31 Dec. 40%	46,008	Ward Henselmans	Chair of the Council of Members Member of the Council of Members	1 Jan. - 31 Mar. 1 Apr. - 31 Dec.	5,794
Henk Westbroek	Vice-chair Board	1 Jan. - 31 Dec. 25%	15,676	Davo van Peursen	Chair of the Council of Members Member of the Council of Members	1 Apr. - 31 Dec. 1 Jan. - 31 Mar.	7,305
Paul van Brugge	Board member	1 Jan. - 20 May 20%	4,650	Brian Dessaur	Vice-chair of the Council of Members Member of the Council of Members	1 Jan. - 31 Mar. 1 Apr. - 31 Dec.	5,416
Bèr Deuss	Board member	1 Jan. - 31 Dec. 20%	12,090	Iason Chronis	Vice-chair Council of Members Member of the Council of Members	1 Apr. - 31 Dec. 1 Jan. - 31 Mar.	6,171
Loek Dikker	Board member	1 Jan. - 31 Dec. 20%	14,336	Mark Bremer	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Anthony Fiumara	Board member	17 June - 31 Dec. 20%	7,389	Hans Everling	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Jeff Hamburg	Board member	1 Jan. - 20 May 20%	4,650	Marcin Felis	Member of the Council of Members	1 Jan. - 15 June	5,038
René Meister	Board member	20 May - 31 Dec. 20%	7,440	Thomas Kalksma	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Arriën Molema	Board member	1 Jan. - 31 Dec. 20%	13,774	Wim Kwakman	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Pieter Perquin	Board member	1 Jan. - 31 Dec. 20%	12,090	Maarten van Norden	Member of the Council of Members	1 Oct. - 31 Dec.	5,038
André de Raaff	Board member	1 Jan. - 31 Dec. 20%	12,090	Beatrice van der Poel	Member of the Council of Members	1 Jan. - 14 Sep.	5,038
Martijn Schimmer	Board member	1 Jan. - 31 Dec. 20%	12,090	Gé Reinders	Member of the Council of Members	1 Jan. - 31 Dec.	5,038
Marc Swemle	Board member	1 Apr. - 31 Dec. 20%	12,090				
Raymond van Vliet	Board member	1 Jan. - 31 Dec. 20%	12,090				
Niels Walboomers	Board member	1 Jan. - 31 Dec. 20%	12,090				

\* This concerns the total remuneration received from Buma/Stemra.

There are no other WNT components to be disclosed for Board and Council of Members.

The remuneration per individual over 2016 - as defined in the Supervision Act - can be specified as follows (in €)\*:

Name	Position	Employment contract	Fixed and variable remuneration	Supplement/tax addition company car	Severance payment	Total remuneration 2015	Social security contributions	Taxable fixed and variable expense allowance	Provisions payable in the future
<b>Current team of directors</b>									
Wim van Limpt	CEO	15 June - 31 Dec. 100%	85,429	5,544		90,973	5,333	-	6,841
Wieger Ketellapper**	CFO	1 Jan. - 31 Dec. 100%	283,091	15,600		298,691	9,787	5,592	33,243
Anja Kroeze	General Counsel	1 Jan. - 31 Dec. 100%	187,259	5,108		192,367	9,787	-	24,868
<b>Directors no longer in service</b>									
Hein van der Ree**		1 Jan. - 31 Jan. 100%	102,006	-		102,006	816	55	-14,796
Jolanda van de Kamer	COO	1 Jan. - 30 Sep. 100%	131,955	4,299	46,000	182,254	7,340	-	18,254

\* This concerns the total remuneration received from Buma/Stemra.

\*\* The remuneration includes the variable component for 2015.

The remuneration per individual for 2015 - as defined in the Supervision Act - can be specified as follows (in EUR)\*:

Name	Position	Employment contract	Fixed and variable remuneration	Supplement/tax addition for company car	Severance payment	Total remuneration 2015	Social security contributions	Taxable fixed and variable expense allowance	Provisions payable in the future
<b>Current Director's team</b>									
Hein van der Ree**	CEO	1 Jan - 31 Dec - 100%	397,644	-	484,864	882,508	9,007	660	65,251
Jolanda van de Kamer	COO	1 Jan - 31 Dec - 100%	182,916	5,732	-	188,648	9,007	-	28,890
Wieger Ketellapper**	CFO	1 Jan - 31 Dec - 100%	281,937	15,600	-	297,537	9,007	6,202	39,084
Anja Kroeze	General Counsel	1 Jan - 31 Dec - 100%	186,369	5,108	-	191,477	9,007	-	29,496

#### (16) OTHER EXPENSES

(x EUR 1,000)	2016	2015
Contributions	117	121
Advisory fees	63	70
Other expenses	-384	-836
	<b>-204</b>	<b>-645</b>
Allocated by third parties	1,147	2,205
<b>Total</b>	<b>943</b>	<b>1,560</b>

The other costs are higher than in 2015 because of a large release that took place in 2015, leading to very low other expenses for this year. The decrease in the costs allocated by third parties is related to the adjustment of the allocation key between Buma and Stemra for amounts that cannot directly be attributed to either entity from 75% Buma 25% Stemra to 90% / 10%.

The presentation of the costs for registering music use (fingerprinting) was changed in 2016, which has resulted in these costs being EUR 0.1 million higher. This change has not been incorporated in the figures for 2015.

There were no research and development costs.

#### (17) INTEREST INCOME AND SIMILAR INCOME

Stemra keeps its available cash and cash equivalents mostly in deposit accounts. In the event of short-term cash requirements related to distribution planning, Buma and Stemra may borrow funds from each other. The interest received for this is Euribor 1-month + 1%. The decrease in interest income and similar income can be attributed to the lower interest rates.

The interest income and similar income include the interest income in connection with the loan provided by Stemra of EUR 81 (2015: EUR 334).

#### (18) TAXES

The Dutch Tax and Customs Administration has determined in a settlement agreement that runs until 31 December 2017 that Vereniging Buma is subject to corporation tax. The settlement agreement with the Dutch Tax and Customs Administration dates from 6 November 2001 and was extended in May 2012 for a period of five years until 31 December 2016 and, in November 2016, extended for a period of one year until 31 December 2017.

#### (19) SUBSEQUENT EVENTS

No events occurred after the balance sheet date that need to be reported in connection with the 2016 financial statements.



## COMPOSITION OF THE BOARD AND DIRECTOR'S

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Amstelveen, 24 October 2017

### THE BOARD

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Leo de Wit	Chairman
Henk Westbroek	Vice-chairman
André de Raaff	Secretary
Anthony Fiumara	Board member
René Meister	Board member
Arriën Molema	Board member
Pieter Perquin	Board member
Davo van Peursen	Board member
Martijn Schimmer	Board member
Marc Swemle	Board member
Raymond van Vliet	Board member
Johan van der Voet	Board member
Niels Walboomers	Board member

### DIRECTOR

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Wim van Limpt	Chief Executive Officer
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## OTHER INFORMATION

Pursuant to article 18 paragraph 3 of the Foundation's Articles of Association, the Board decides on the appropriation of the result. To this end, the Board appropriates all or part of the result for the formation of, addition to or withdrawal from one or more general or special (appropriated) reserves. The Board has proposed to add the result of EUR 1.8 million to the appropriated reserve.

### INDEPENDENT AUDITOR'S REPORT

To: The Affiliates of Stichting Stemra

#### Report on the accompanying financial statements

##### *Our opinion*

We have audited the financial statements 2016 of Stichting Stemra, based in Amstelveen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Stemra as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code and section 25a of the Collective Management Organisations for Copyright and Related Rights (Supervision and Disputes Settlement) Act (hereafter: 'Supervision Act').

The financial statements comprise:

1. the balance sheet as at 31 December 2016;
2. the profit and loss account for 2016; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

##### *Basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Controleprotocol WNT.

Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Stemra in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Board report and the director's report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Board report and director's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

#### Description of the responsibilities for the financial statements

##### *Responsibilities of The Board*

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Supervision Act. Furthermore, The Board is responsible for such internal control as The Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, The Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, The Board should prepare the financial statements using the going concern basis of accounting unless The Board either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so. The Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### *Our responsibilities for the audit of the financial statements*

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by The Board;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Utrecht, 24 October 2017

KPMG Accountants N.V.  
R.P. van der Brugge RA

# —COMPOSITION OF THE **THE BOARD**

(31 DECEMBER 2016)



**Bèr Deuss**

**Publisher**

Profession/other positions

Paid position:

- Director/owner Deuss Holding BV and Albersen verhuur BV, 's-Gravenhage
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)

Unpaid position:

- Vice-chair VMN



**Anthony Fiumara**

**Author**

Profession/other positions

Paid position:

- Composer
- Copywriter
- Music journalist
- Partner De Merkcultuur
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)
- Board Member Stichting Brein

Unpaid position:

- Board Member Stichting Temko
- Board Member Amstel Music Award
- Board Member Stichting Asta Nielsen
- Board Member Stichting Nieuw Geneco



**René Meister**

**Author**

Profession/other positions

Paid position:

- Composer / arranger
- Founder BEAR project
- Owner BEAR studio
- Producer
- Music compiler
- Executive musician
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)



**Arriën Molema**

**Author**

Profession/other positions

Paid position:

- Songwriter / composer / producer
- Guitarist and business manager Room Eleven
- Vice-chair Beroepsvereniging voor Auteur-Muzikanten (BAM!)
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)



**Pieter Perquin**

**Author**

Profession/other positions

Paid position:

- Composer / songwriter / producer (Perquisite)
- Director / owner Unexpected Records and Unexpected Management
- Chair Beroepsvereniging voor Auteur-Muzikanten (BAM!)
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)

Unpaid position:

- Board Member Stichting Casa Tierra



**André de Raaff**

**Secretary B/S, Publisher**

Profession/other positions

Paid position:

- DGA of entertainment company CTM BV, which includes music publishers CP Masters BV and Imagem CV.
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)
- Supervisory Director Nederlands Instituut voor Bedrijfschulpverlening



**Martijn Schimmer**

**Author**

Profession/other positions

Paid position:

- Director/owner TFS Media Group
- Director/owner Schimmer Music Productions
- Partner/owner PilotPost B.V.
- Partner/owner Scripted Music B.V.
- Director/owner Talents for Brands B.V.
- Director/owner Track Media Music Publishing
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)



**Marc Swemle**

**Author**

Profession/other positions

Paid position:

- Director / owner VaVaVoom! Music Company since 1996
- Director / owner Swemle Media Holding B.V. since 2001
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)

Unpaid position:

- Board Member BCMM since 2012



Johan van der Voet

**Author**

Profession/other positions

Paid position:

- Composer / Songwriter / Producer
- Director / owner Soundgram Post Production since 1996
- Director / owner Studio Soundgram & Soundgram Publishing since 2014
- Chair BCMM (Beroepsvereniging Componisten MultiMedia) since 2009
- Member Federatieraad Auteursrechtbelangen since 2012
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)
- Guest lecturer at various Colleges

Unpaid position:

- Board Member FFACE, Federation of Film and Audiovisual Composers of Europe



Raymond van Vliet

**Publisher**

Profession/other positions

Paid position:

- DGA Cloud 9 Music Holding
- Board Member Stichting BBF 0 (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)

Unpaid position:

- Vice-chair Nederlandse Muziek Uitgevers Vereniging (NMUV)



Niels Walboomers

**Publisher**

Profession/other positions

Paid position:

- Managing director Sony/ATV Music Publishing Benelux
- DGA Walboomers Publishing BV
- Director EMI Music Publishing Benelux from 18 February 2015
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)
- DGA Nelis Holding BV
- Board Member Cliq Digital AG

Unpaid position:

- Chair Nederlandse Muziek Uitgevers Vereniging
- Board Member BMPA (Belgium Music Public association)



Henk Westbroek

**Vice-chair B/S, Author**

Profession/other positions

Paid position:

- Songwriter
- Executive artist
- Columnist
- TV presenter at RTV Utrecht
- Deputy Director café restaurant 'Stairway to heaven'
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)



Leo de Wit

**Chair of the Board B/S**

Profession/other positions

Paid position:

- General Chairman of the Netherlands Council for the Application of Criminal Law and the Protection of Youth
- Board Member Stichting BBF (Stichting Buma Beleggingsfonds)
- Board Member Stichting SBF (Stichting Stemra Beleggingsfonds)

**Mark Bremer****Publisher**

Profession/other positions

Paid position:

- *Managing Director Universal Music Publishing Benelux*

Unpaid position:

- *Board Member Nederlandse Muziek Uitgevers Vereniging (NMUV)*

**Iason Chronis****Author**

Profession/other positions

Paid position:

- *Composer / producer / DJ*
- *Owner Animal Language recordings*
- *Events organiser*

Unpaid position:

- *Board Member Popauteurs.nl*
- *Popcoalitie*

**Brian Dessaur****Publisher**

Profession/other positions

Paid position:

- *Managing Director / Chief Creative Officer at BMG Rights Management*

Unpaid position:

- *Board Member Nederlandse Muziek Uitgevers Vereniging (NMUV)*

**Hans Everling****Author**

Profession/other positions

Paid position:

- *Owner SOB Audio Imaging*
- *Board Member BCMM*
- *Managing Director Groves Netherlands*

**Marcin Felis****Author**

Profession/other positions

Paid position:

- *Guest lecturer at Hogeschool voor de Kunsten*
- *Composer and bass guitarist in the band Moke*
- *Sole proprietor Felis Music*

**Thomas Kalksma****Author**

Profession/other positions

Paid position:

- *Composer/Producer*
- *Owner/composer at Thomasmusic*
- *Vocalist/ producer and instrumentalist at Kynarian*

**Monique Krüs**

appointed on 11 October 2016

**Author**

Profession/other positions

Paid position:

- *composer/producer*
- *Soprano/voice coach*

Unpaid position:

- *Board Member Nieuw Geneco*

**Wim Kwakman****Publisher**

Profession/other positions

Paid position:

- *Music Publisher Pennies From Heaven BV*
- *DGA Pennies From Heaven BV*

Unpaid position:

- *Board Member Nederlandse Muziek Uitgevers Vereniging (NMUV)*

**Bart van de Lisdonk****Author**

Profession/other positions

Paid position:

- *Owner Hunga! Sound & Music*
- *Composer, producer, guitarist 'Annemiek & Bart'*
- *Artistic leader 'Fanfare Van Het Vuur'*

Unpaid position:

- *Secretary Dutch Film Composers*

**Maarten van Norden**

stepped down on 15 September 2016

**Author**

Profession/other positions

Paid position:

- *Composer of concert and film music*
- *Board Member Nieuw Geneco*
- *Saxophonist*

**Davo van Peursen****Publisher**

Profession/other positions

Paid position:

- *MD and DGA Donemus Publishing BV*
- *Non-executive secretary Stichting Donemus Beheer*

Unpaid position:

- *Member Programme Board Omroep Rijswijk*
- *Chair of Vereniging van Muziekhandelaren en -uitgevers in Nederland (VMN) until 23 May 2016*

**Beatrice van der Poel****Author**

Profession/other positions

Paid position:

- *Executive musician, performer*
- *Founder of record label Moerasgas*
- *Producer theatertournees*
- *Voice actress and co-author of various audiobooks*

Unpaid position:

- *Advisory Council Visiteclowns (until September 2015)*

**Rita Zipora-Verbrugge****Author**

Profession/other positions

Paid position:

- *Executive musician, artist*
- *Moderator/presenter music events*
- *Lecturer singing and enterprise*
- *Voiceover*
- *BAM! Office staffer*

## BOARD BUMA/STEMRA



Wim van Limpt

**CEO**

Other positions

Paid:

- Chief executive under the articles of Buma Foundation/Stemra Equity Fund Foundation
- Chief Executive under the articles of Buma Foundation/Stemra Bonds Fund Foundation
- Board Member of Stichting SCAN
- Board Member of Stichting Brein
- Vice-chair of VOI©E Association
- Board Member of Stichting Buma/Stemra Projecten
- Board Member of FastTrack
- Board Member of Fingerprinting Foundation



Wieger Ketellapper

**CFO**

Other positions

Paid:

- Supervisory Director 'Cito BV' until 9 December 2016

Unpaid:

- Member Financial Committee AWWN
- Board Member SCAN



Anja Kroeze

**General Counsel**

Other positions

Paid:

- Secretary of Vereniging voor Auteursrecht
- Board Member Stichting Federatie Auteursrechtbelangen
- Board Member stichting Beheer Rechten Fingerprint Database
- Board Member Stichting BREIN
- Board Member Vereniging VOI©E

Unpaid:

- Board Member Stichting SINF



## PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING

### Provisions in the Articles of Association regarding the Board and Director's

The existing provision in the Articles of Association regarding the Board and the Director's are the following:

The Board of Vereniging Buma and Stichting Stemra consists of thirteen people. Twelve are appointed in the manner as referred to in article 13, paragraph 2, under 1 and 2.

A thirteenth independent person is appointed by the members/affiliates in accordance with article 17, paragraph 2.

A board member of Vereniging Buma must also be a board member of Stichting Stemra.

The Board comprises:

A. Eight authors who are members or the author of a company that is a member, which authors are elected by the author members/affiliates, among whom:

- *composers of serious music*
- *composers/songwriters of entertainment music*
- *songwriters*
- *composers of media music*

B. Four persons who are member-publishers (article 8 paragraph 1) or hold a managerial position in a publishing company that is a member (article 9, paragraph 1), and who are chosen by the member publishers/affiliates.

C. One independent person, as referred to in article 13, paragraph 1, as an independent chair.

The Director's of Buma and Stemra consists of one or several natural persons, who are not a member/affiliate or participant of the Association or Foundation.

The complete provisions of the Articles of Association regarding the Board are contained in article 13 to article 20 of the Articles of Association of Buma and Stemra.

The complete provisions of the Articles of Association regarding the Director's are contained in article 21 to article 23 of the Articles of Association of Buma and Stemra.

### Board profile

The profile for the Board is based on 'that which a Board requires in order to function properly', in view of and taking into account various aspects such as:

- *the type of organisation*
- *the development phase of the organisation*
- *elaborating and implementing administrative restructuring*

The composition of the Board must be in line with the standards and provisions of contemporary governance and codes of conduct. Reference is made to the Buma/Stemra website for the complete profile of the Board.

# PUBLICATION

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## EDITORIAL BOARD

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FRANK JANSSEN,  
BUMA/STEMRA

## DRAFT & REALISATION

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DE MERKELIJKHEID

## TEXT & INTERVIEWS

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DE MERKELIJKHEID  
NART WIELAARD  
FRANK JANSSEN

## LAYOUT

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DE MERKELIJKHEID

## PHOTOGRAPHY

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MIKE BREEUWER (PAGE 7)

## PHOTOS OF BOARD MEMBERS

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PETER VAN DIJK

