

# ANNUAL REPORT VERENIGING BUMA 2019

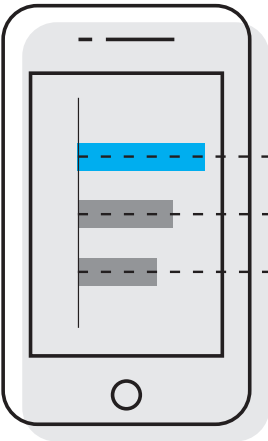
**buma•stemra**

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# KEY FIGURES OF

## FEES COLLECTED BUMA (x € 1,000)



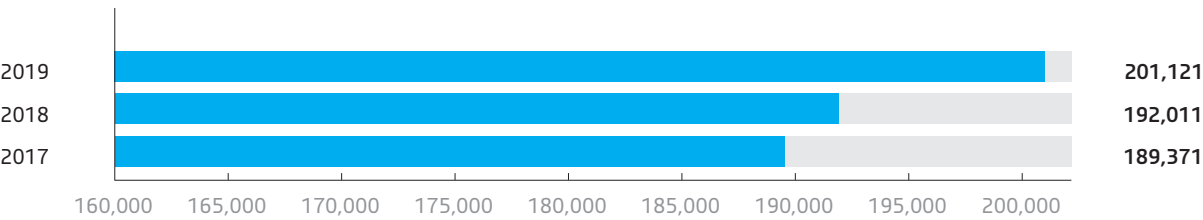
187,533 | 2019  
180,963 | 2018  
172,411 | 2017

## NUMBER OF

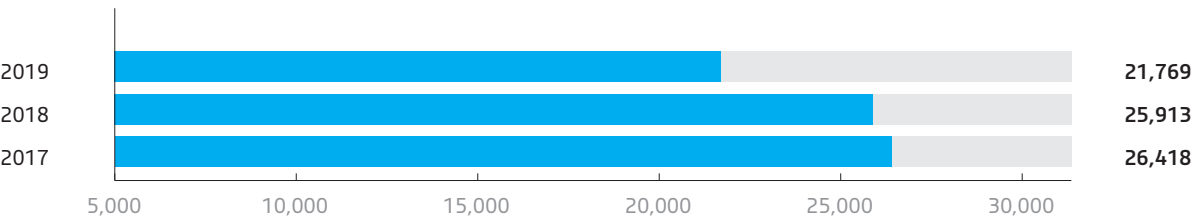


	BUMA	OUTSOURCING
2019	122.3	25.3
2018	122.8	26.5
2017	141.3	48.2

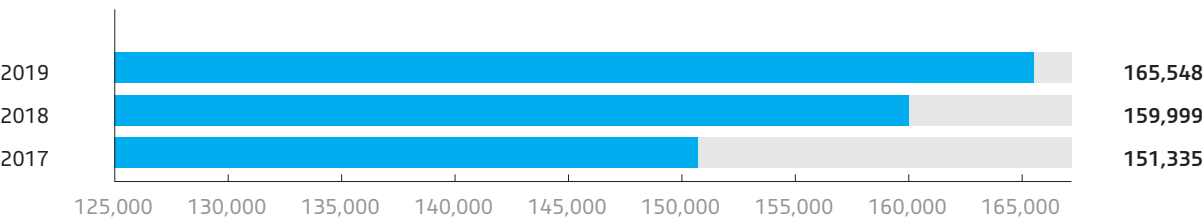
## COPYRIGHT ROYALTIES TO BE DISTRIBUTED (x € 1,000)



## MANAGEMENT COSTS (x € 1,000)



## DISTRIBUTIONS (x € 1,000)



KEY FIGURES	2019	2018	2017	2016	2015	2014
(x € 1,000)						
<b>COPYRIGHT ROYALTIES RECEIVED/RECEIVABLE</b>						
Radio, TV and Network Providers	71,175	71,430	68,177	70,393	67,297	71,774
Live performances	35,179	34,065	30,698	29,799	27,146	24,130
Restaurants and bars	15,190	14,891	14,294	15,074	14,554	13,469
Work spaces	17,209	17,171	17,392	17,183	17,399	16,828
Shops and stores	13,450	13,234	13,509	13,179	13,436	12,317
Online	18,964	13,681	13,618	10,128	8,415	5,656
<b>Music use in the Netherlands</b>	<b>171,166</b>	<b>164,471</b>	<b>157,688</b>	<b>155,756</b>	<b>148,247</b>	<b>144,174</b>
<b>Music use abroad</b>	<b>16,367</b>	<b>16,492</b>	<b>14,723</b>	<b>15,226</b>	<b>16,444</b>	<b>14,155</b>
<b>Total</b>	<b>187,533</b>	<b>180,963</b>	<b>172,411</b>	<b>170,982</b>	<b>164,691</b>	<b>158,329</b>
<b>DISTRIBUTIONS</b>						
Rights owners	95,270	87,262	84,348	91,332	80,086	75,779
CMOs Abroad	55,025	57,855	53,503	54,535	53,657	49,757
Addition to Fund for Social and Cultural Purposes	10,863	10,456	9,896	10,368	10,201	10,184
	<b>161,158</b>	<b>155,573</b>	<b>147,747</b>	<b>156,234</b>	<b>143,946</b>	<b>135,720</b>
<b>Administration fee withheld upon distribution</b>	<b>4,390</b>	<b>4,426</b>	<b>3,589</b>	<b>3,181</b>	<b>2,840</b>	<b>2,413</b>
<b>Total</b>	<b>165,548</b>	<b>159,999</b>	<b>151,335</b>	<b>159,415</b>	<b>146,786</b>	<b>138,133</b>
<b>COPYRIGHT ROYALTIES TO BE DISTRIBUTED</b>						
Copyright royalties to be distributed at end of financial year	201,121	192,011	189,371	186,707	190,060	183,224
<b>Fund for Social and Cultural Purposes</b>						
Disbursements in financial year	11,530	10,587	9,704	11,863	11,581	12,376
Funds available at end of financial year	4,102	4,766	4,897	2,572	4,067	5,447
<b>OPERATING STATEMENT</b>						
Administration fee withheld upon distribution	4,390	4,426	3,589	3,181	2,840	2,413
Administration fee to be withheld in the year of collection	14,695	18,323	18,411	14,917	11,069	10,837
Other income	963	885	868	842	791	791
<b>Total income</b>	<b>20,048</b>	<b>23,634</b>	<b>22,868</b>	<b>18,940</b>	<b>14,700</b>	<b>14,041</b>
Management costs	-21,769	-25,913	-26,418	-25,080	-21,237	-20,878
<b>Total expenses*</b>	<b>-21,769</b>	<b>-25,913</b>	<b>-26,418</b>	<b>-25,080</b>	<b>-21,237</b>	<b>-20,878</b>
<b>BALANCE OF TOTAL INCOME AND EXPENSES</b>	<b>-1,721</b>	<b>-2,279</b>	<b>-3,550</b>	<b>-6,140</b>	<b>-6,537</b>	<b>-6,837</b>
Financial income and expenses	15,401	-7,908	10,408	8,371	1,169	11,521
<b>Available for appropriated reserve</b>	<b>13,680</b>	<b>-10,187</b>	<b>6,858</b>	<b>2,231</b>	<b>-5,368</b>	<b>4,684</b>

\* In 2019, Stichting Buma Beleggingsfonds merged into Vereniging Buma. The 2018 key figures have been adjusted to the 2019 methodology for comparison purposes. Earlier years are in accordance with annual reports published previously.

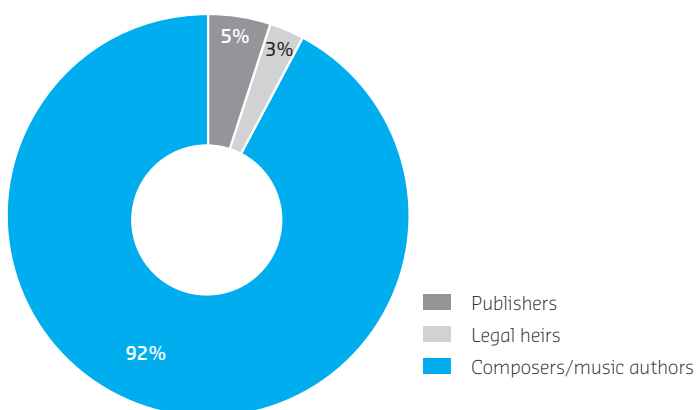
KEY FIGURES	2019	2018	2017	2016	2015	2014
Actual cost percentage withheld for Online	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Actual cost percentage withheld for Abroad	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Actual cost percentage withheld for Foreign Network Providers	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Actual cost percentage withheld for Other categories.	12.2%	12.2%	12.8%	10.2%	7.9%	7.8%
Average actual percentage withheld (administration fees as a percentage of fees collected)	10.2%	12.6%	12.8%	10.6%	8.4%	8.4%
Management costs (gross) as a percentage of total royalties received/receivable	11.6%	14.3%	15.3%	14.7%	12.9%	13.2%
Management costs (gross) as a percentage of total copyright royalties distributed (including administration fees withheld)	11.8%	14.5%	15.9%	14.7%	13.5%	14.3%
Annual change in operating costs	-16.0%	-1.9%	5.3%	18.1%	1.7%	-0.5%
Derived consumer price index	2.6%	1.7%	1.4%	0.3%	0.6%	1.0%
Number of members and participants	31,237	29,761	28,386	26,531	25,151	23,951
Number of invoiced licensees	106,580	108,495	109,200	107,500	103,000	106,000
Number of employees in FTEs*	122.3	122.8	141.3	146.8	151.0	160.3

\*The employees also work on behalf of Stemra

#### Members and affiliates in 2019

Composers/music authors	28,771
Publishers	1,518
Legal heirs	948

**TOTAL** **31,237**



#### LIVE PERFORMANCES

More than 101,500 locations were licensed.

#### SHOPS AND STORES, RESTAURANTS AND AND WORK SPACES

157,000 locations were licensed.

#### ONLINE

In total, more than 1,150 websites and apps were licensed.

Distributions were made for 10.9 million downloads.

Distributions were made for 19.8 billion streams.

#### RTV

In total, 238 licences were concluded.

Distributions were made for 1.4 billion seconds.

# —1. DIRECTORS' REPORT

# 1. DIRECTORS' REPORT

## 1.1 EXPLANATION BY THE MANAGEMENT BOARD

### INTRODUCTION

The music world flourished in 2019, especially live performance and online, and it was also a great year for Buma. We achieved positive financial results, both in the area of fees collected and in the distribution of copyright royalties. Fees collected increased in the market segments Online, Live Performances and Public Use, while revenues at Radio & TV were under pressure, royalties from abroad fell slightly and distribution rose to the highest level ever. The management costs, which are the costs incurred for the collection and distribution of copyrights, were well under control and, thanks to a very positive year on the stock market, an excellent investment result of € 15.9 million was achieved. In 2018, Buma still recorded a negative investment result of € 7.4 million.

In this Directors' Report we will discuss the results, the main events, market developments and our priorities. First, based on the overall strategy of Buma/Stemra, we will briefly explain what the main policy goals for 2019 were and what steps have been taken.

### OBJECTIVES

One of the main objectives for 2019 was to properly adjust the new governance structure of Buma/Stemra that was introduced in 2018. Particular attention was paid to the development of the role of the Council of Rights Owners, which was established in the same year. We also focused on the progress of activities agreed on with the Supervisory Board and the Supervisory Authority for Copyright Rights (our external regulator) in response to administrative problems in recent years. Finally, the business in general of course had our full attention as well, with all market segments in which we operate: Radio & TV, Online, Live Performances and Public Use (shops, restaurants and bars, various workspaces).

In the budget for 2019, we set out the following ambitions (summarised below), in line with the cost standards set by the government in July 2013<sup>\*</sup> for collective management organisations under the Dutch Supervision of Collective Management Organisations (Copyright and Neighbouring Rights) Act (hereinafter referred to as Supervision Act):

- Total fees collected slightly above the 2018 level,
- Level of distribution slightly below that of the previous year, this in connection with non-recurrent higher distributions in 2018,
- Approximately 4% lower management costs, in which the scope and development of these costs must meet all set cost standards: a maximum 15% of total fees collected, a maximum 15% of total distribution and a maximum increase of the consumer price index.

Furthermore, in 2019 we wanted to develop a new method for allocating costs not directly attributable to Buma or Stemra, which we will come back to later in this report. Another objective was to

improve the accessibility of financial information about Buma in the course of 2019. In this Directors' Report we account for all these ambitions.

### FINANCIAL RESULTS

In 2019, income amounted to € 187.5 million, an increase of 3.6% compared to the previous year (2018: € 181.0 million). This shows a rise in income for the sixth consecutive year.

In 2019, Buma distributed over 3.4% more than in 2018, from € 160.0 million to € 165.5 million. Compared to 2018, management costs fell by 16.0% to € 21.8 million, down from € 25.9 million in that year. The main reasons for the fall were cost control measures and the lack of non-recurring costs that we had to incur in previous years.

The costs remained below the norm of 15% set by the Dutch government under the Supervision Act.

- management costs compared to total fees collected for 2019 amounted to 11.6% and
- management costs relative to total distribution amounted to 11.8%.

The Supervision Act also states that an increase in management costs may not exceed the development of the consumer price index. This index recorded a 2.6% increase in 2019 and since our management costs did not rise but fall, this third norm was of course met as well.

A detailed analysis of how the results were achieved is included in section 1.2 of this report. This section also discusses in more detail the investment results achieved in the past year.

### COMPETITION

The field of competition around Buma is highly dynamic. More and more market parties are emerging, relationships are shifting continuously and technological developments are providing new opportunities, yet can pose a threat at the same time. The playing field is becoming more international. The days that the Netherlands was the only playing field for collecting royalties for music use are far gone. Multi-territorial licences with online providers are becoming increasingly important.

Competition is mainly felt in the online market, where musicians have a wider choice in terms of managing their rights. As a result of the European directive aimed at harmonising copyrights in the EU's digital single market, Buma does not have a monopoly position in this market. Musicians can join one or more Collective Management Organisations of their choice, both for certain user categories and for certain countries. A Collective Management Organisation (hereinafter referred to as CMO), is an organisation charged with the collection and/or distribution of fees under copyright and neighbouring rights.

<sup>\*</sup> See Section 1(1)(a-c) of the Decree implementing the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act: <http://wetten.overheid.nl/BWBR0033622/2016-12-21>

CMOs are increasingly competing for the attention of musicians and have all kinds of *incentives* available, including advances, faster payment and customised services. CMOs that manage a large repertoire of works, operate in a large language area or can work with larger volumes for other reasons, enjoy economies of scale. They are able to run a strong foreign division that allows them to manage the use of music by major musicians globally. This at the same time makes these CMOs strong in acquisition. In the years to come, Buma aspires to acquire a position in the market allowing us to rise up to with these globally operating players.

With increasing mutual competition, costs are of great importance, because players with relatively low costs can compete heavily on price. Buma's current policy is therefore aimed at efficient day-to-day operations and a well-organised service and information concept. To meet and exceed the needs of our members, this daily operation must be as excellent as it is efficient. To this end, we offer a basic and transparent collection and distribution process and aim to distribute copyright royalties faster and more orderly.

In the market segments in which Buma is licensed in accordance with the Dutch Copyright Act (Section 30a, '*intermediation in music copyright*'), we encounter more and more market parties that compete in one of our core tasks: exploiting repertoire. These new players offer music including user rights, by which they respond to a need in the market, especially among broadcasters who like to register and process their (online) music use through a *one-stop shop*. In response, Buma will introduce new licensing forms for the use of music in certain segments.

It is often difficult for new licensees to start (international) initiatives, because the repertoire on offer is often fragmented, particularly online because the different rights and royalties have to be dealt with separately. That is why Buma is investigating how it can contribute to a more aggregated offer of repertoire. This, for example, can be achieved by starting (international) collaborations with other CMOs and thus issue combined licences (*licensing*). We are also considering offering master rights of audiovisual productions within the Online market segment. The reason is that we are increasingly asked to *pre-clear* complete songs, whereas the copyrights of those songs are often distributed among multiple rights owners affiliated with multiple organisations. The separate acquisition of rights has become too complex, which is why there is a strong need for *all inclusive* licences. By creating these, we will better match the needs of licensees as well as those of the musicians and rights owners, while improving our services in both the issuing and delimiting of licences.

## MARKET DEVELOPMENTS

An important market development is a clear shift in music use towards more online streaming and subscription services. We can also see a sharp decline in the sales and use of physical music carriers and an increase in live performances, music festivals and other events, a trend that has been turned around due to corona in 2020. Broadcasters are undergoing a profound transformation as a result of pressure on government contributions to public broadcasters, as well as the decline in linear views. Another development is the strict and tightened requirements for the transparency and efficiency of our actions. The Supervisory Authority for Copyrights closely monitors compliance with our social responsibility in this regard.

The European directive for the digital single market within the EU leads to an increasing number of multi-territorial licences for online music use. International CMOs each want to have the largest possible

market share in this and therefore compete with each other first before starting to work together in administering that licensed repertoire.

Buma too works with international sister societies in the *cross-border* administration of copyrights, again after having been in competition with them first in issuing those multi-territorial licences. Buma deems this internationalisation a positive development that offers clear opportunities for expanding its activities.

Within the Online market, we come across major Digital Service Providers (DSPs) for music such as Apple, Spotify and YouTube. Buma has managed to issue European-wide licences to most and the largest of these players. Market forecasts show growth of 12% per year in the volume of music streaming services for the coming years in the Netherlands and Western Europe. A licensed DSP expects us to indicate exactly which repertoire we represent. That is why it is very important that our members can properly register their works with us even faster than at present. If we offer great ease of use, we can quickly file the appropriate claim with the relevant DSP and pay it to our members at the same pace. We only license music repertoire that has been registered with us by our own members directly, but do so multi-territorially. This requires a strong connection with our members and clear agreements with our international sister societies.

Buma advocates preserving the Copyright principle and this has partly contributed to the fact that Section 17 of the EU Copyright Directive now stipulates that market parties that carry *user-generated content*, such as YouTube and Facebook, have an obligation towards the content owners. This legislation must be converted into Dutch legislation in the years to come, but it already provides us with some guidance for a stronger negotiating position towards these platforms.

In addition to user-generated content, *video on demand* within the online segment is growing as well. Important players in this niche market are Netflix and Videoland. In the next five years, they are expected to grow by 10% per year in the Netherlands. Not only does Buma see the growth of video on demand reflected in its annual figures, the trend is also confirmed by the market forecasts. Consumer screen time has slightly increased over 2019, but the increase accounted for on-demand services is at the expense of linear TV viewing time. This has been declining for several years now and that is a concern for the TV advertising market: TV advertising revenues will be dropping at some point in the future. Such a drop will impact Buma because we collect for all rights owners in the radio and TV market across the globe, including repertoire of rights owners from abroad used in the Netherlands. Income from commercials counts towards the basis for calculating those copyright royalties, and fewer commercials means less income.

In addition, revenues of the Radio and Television Advertising Foundation (STER) in particular are likely to fall because of the government's plans to substantially change the broadcasting system. Government contributions will be reduced and commercials before 8pm may no longer be permitted. Preliminary market forecasts for the next five years in the Netherlands still provide a more or less stable situation, expecting growth in the TV advertising market of less than 1% per year.

## COMING YEARS

The online segment will show rapid growth in the years to come, thereby extending our playing field because we issue multi-territorial licences. On the other hand, Buma only collects for the repertoire of rights owners established in the Netherlands. The growth in Online



activities will only partially offset the expected decline in advertising revenues from radio and TV. Commercial TV companies are increasingly transforming into multi-media companies offering content on platforms other than just linear TV. In addition to serving the consumer with content, their goal still is realising a *lock-in*, during which the provider succeeds in capturing the consumer's undivided attention for a longer period of time. This leads to revenue models which, on the one hand, are based on advertising revenues and, on the other, on subscription structures, both platform independent. Buma must adapt its services to this, for example by providing the possibility of obtaining licences that are platform independent as well.

This does, however, result in pressure on the collectivity-based licences (*blanket licences*) that we use. They offer convenience at a favourable rate, because no distinction is made in the *value* of the music (for example, whether it involves hits or so-called *incidental music*).

As for the Online segment, the copyright interests of lyricists and composers and their representation are more widely spread. Consequently, we cannot set up the licensing method in the same way as for radio and TV. If we still want to license, collectivity across the board is no longer self-evident. As such, Buma is faced with the challenge of continuing to offer convenience at a realistic rate, which is crucial for those who have joined us. However, this is only possible if we have a strong position in the representation of the online music repertoire.

## EXPERIENCE ECONOMY

Since the beginning of this century, the experience economy has grown, which involves collecting and sharing experiences, for example, the joint experience of an event. As a result of this development, increased spending options of consumers, the advanced infrastructure in the Netherlands and an enthusiastic entrepreneurial spirit, the events market in 2019 was still a growing segment. In addition to growth, the market was also highly dynamic and only the best events survived. Buma responded to these developments by making use of innovative applications such as *data web crawling*. This quickly brought us to the attention of new events, possibly involving music that had not yet been registered with us before. Depending on further market developments, we want to supplement such detection techniques in the future with the use of *machine learning* algorithms, which can handle and interpret large amounts of data.

In the market segment of Public Use (shops, restaurants and bars, various workspaces), Buma works together with Stichting ter Exploitatie van Naburige Rechten (Sena), leading to more efficiency and more licenses. The activities are incorporated in the Service Centre for Copyright and Neighbouring Rights (SCAN). This market segment stabilised in 2019, although not all sub-segments shared this trend. In the retail segment, we witnessed more and more shop closures combined with the disappearance of shop locations. Retail sales nevertheless grew, but mainly in online services and via web shops, not in new physical stores. In 2019, restaurants and bars performed better compared to previous years. The various workspaces segment showed some growth.

As for the collection of income from music use that we represent abroad, Buma depends on the collaboration with its sister societies, with the exception of the Online market segment, in which we will be competing with the sister societies first. Repertoire from the Netherlands is still successful outside national borders, but the income varies per year. This requires more active monitoring of the use of music from our rights owners abroad and, where necessary, increasing the pressure on our sister societies, in order to ensure that our members receive what they are entitled to.

## ICT

An effective ICT system is critical to Buma's operations. The huge increase in data volumes and developments in the area of *big data* and *artificial intelligence* will place heavy demands on Buma's ICT system in the coming years.

In 2019, following the implementation of a wide range of measures the year before aimed at guaranteeing the continuity of the IT system, a start has been made with an analysis of the requirements the successor to the current system must meet. Based on this, choices will be made in the course of 2020, after which the development of a new system can be started to replace the so-called AX 2012 system.

AX is the system Buma uses to execute practically all of its processes and transactions. The system is outdated and is approaching the limits of its anticipated expansion. That is why we make choices to prevent a growing bottleneck in the realisation of Buma's future plans.

As a starting point for the replacement, we opt for the use of standard software for financial and commercial processes. A custom-made solution for Buma will be developed for user processing and distribution, but in this instance too, standard tools will be used as much as possible to keep costs manageable.

The full transition is expected to take two and a half to three years.

## OUTLOOK

The corona crisis has major consequences for the composers, lyricists and publishers who are affiliated with BUMA and also for BUMA itself. Our income in 2020 so far is considerably lower than budgeted and this trend is expected to continue throughout the year. The full impact of the pandemic is not yet clear when preparing the annual reports and accounts. It will depend in part on how the outbreak of the coronavirus can be managed and on the widespread availability of a vaccine or medicines.

BUMA has developed a number of scenarios to provide insight into possible developments, taking into account the many uncertainties. As of mid-March, restaurants and bars had been closed, (music) events cancelled, some of the shops and offices had been closed and fewer commercials were broadcast on radio and television. This is having a major impact on BUMA's income. The measures have relaxed since the beginning of June, which will go some way in curbing the decline in income from then on. Nevertheless, with today's knowledge for 2020 as a whole, an income loss of € 45-65 million is expected compared to the total collection of copyright royalties in 2019, a decline of some 25%.

BUMA is making every effort to minimise the consequences for its members. The accelerated distribution of copyright royalties offers relief in the short term and the Emergency Music Fund, set up by BUMA, Stemra and Sena and financially supported by Spotify, is designed to cushion the initial and worst losses. We have set up the Music Investment Fund using a financial contribution from the government, which allows us to support composers, lyricists and publishers in the form of work and production contributions.

Measures have been taken by BUMA to cut costs as much as possible in 2020 in order to meet the cost standard set under of the Supervision Act to the extent possible. With this in mind, BUMA submitted an application in the spring under the Temporary Emergency Bridging Measure to Preserve Employment (NOW scheme), which has been provisionally granted. A final review will follow in the autumn of 2020. BUMA continuously assesses its liquidity position on the basis of the aforesaid scenarios. We estimate that BUMA's financing needs will be fully met in the coming period.

BUMA does not expect income to fully recover before 2023. After all, the corona crisis has significant economic consequences in the short and medium terms for several market segments on which BUMA depends for its income. This certainly applies to the events market, which depends on the ability to attract large numbers of visitors. However, restaurants, bars and business markets too will continue to be affected by the current crisis for a longer period of time. The uncertainty is to what extent these sectors will experience liquidations.

The outlook for BUMA's financial result, consisting mainly of the result of our investments, is uncertain in this context. Hence we will refrain from making any statements in this respect, while it should be noted that the starting point for the investment portfolio was and is risk-averse investing, aiming primarily at retaining value.

## TRANSPARENCY

BUMA/Stemra strives for maximum transparency and therefore continues to build on improvements made in 2019, such as the MyBUMAStemra portal and the financial information made available online. We are pleased to reach a larger group of stakeholders with the online annual report, in which the key figures are presented dynamically combined with a brief explanation. In the same online environment, we provide stakeholders with six-monthly reports and any adjustments in expectations for the entire year. The budget for the current financial year was published online in February 2020 and can be found here: <https://jaarverslag.bumastemra.nl/budget/#/>

Maximum transparency also means providing transparency about how decisions are made, for example in the field of distribution and about our policy with regard to radio and television and also Online. We show how we deal with collection issues in and from abroad, how we design our internal supervision and how BUMA represents the interests of rights owners.

## IN CONCLUSION

We are deeply indebted to the employees of BUMA, who have had to work from home since mid-March in line with the guidelines of the Dutch National Institute for Public Health and the Environment (RIVM), but who have managed to maintain our service level. The corona crisis casts a shadow over this annual report, but thanks to the joint effort of our employees BUMA can present positive financial results for 2019. We look forward to continuing to build on BUMA's mission with them, the Council of Rights Owners and all other stakeholders, i.e.: looking after the interests of our members in the best possible way and ensuring they are fairly compensated for the use of their work.

Hoofddorp, 5 August 2020

The Management Board:

Bernard Kobes, Chief Executive Officer

Siebe van Elsloo, Acting Chief Financial Officer

## 1.2 FINANCIAL RESULTS AND RISK MANAGEMENT

### 1.2.1 COPYRIGHT ROYALTIES (TO BE) RECEIVED

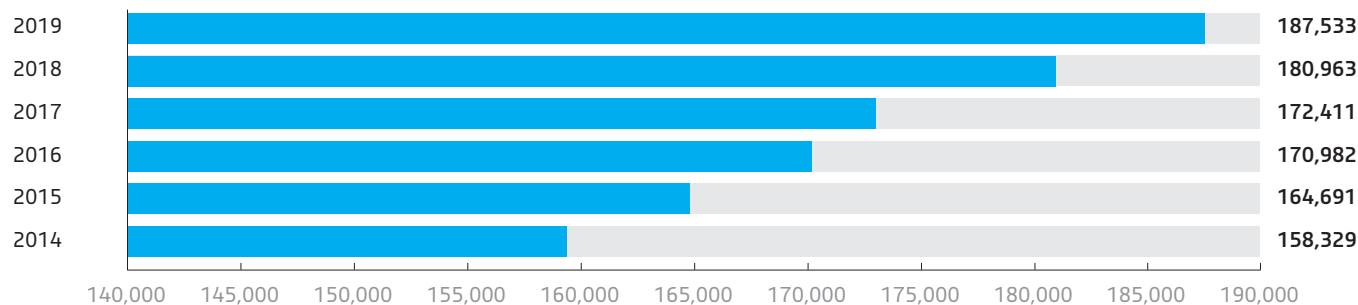
#### BUMA

The copyright royalties were received from the following categories:

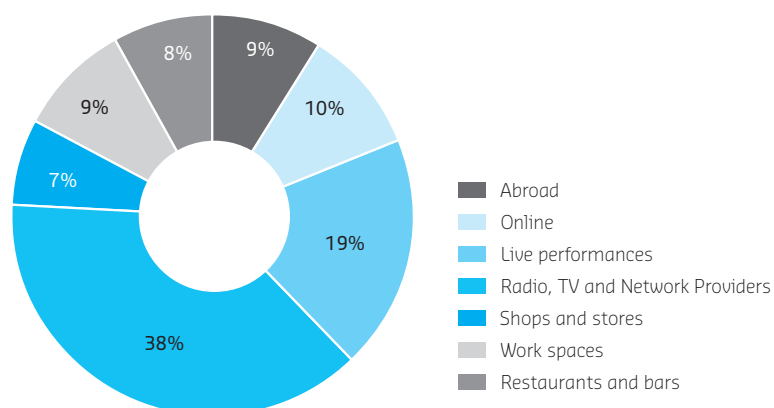
(x € 1,000)

	Realisation 2019	Realisation 2018
Restaurants and bars	15,190	14,891
Work spaces	17,209	17,171
Shops and stores	13,450	13,234
<b>TOTAL GENERAL LICENCES BUMA</b>	<b>45,849</b>	<b>45,296</b>
Radio, TV and Network Providers	71,175	71,430
Live performances	35,179	34,065
Online	18,964	13,681
Abroad	16,367	16,492
<b>TOTAL BUMA</b>	<b>187,533</b>	<b>180,963</b>

#### DEVELOPMENT OF COLLECTION (x € 1,000)



#### COMPOSITION OF COLLECTION



The table and bar chart show that Buma collected € 187.5 million in 2019, again an increase compared to the previous year of € 6.6 million or 3.6%. This increase in royalties was mainly realised in the Online (€ 5.3 million) and Live Performances (€ 1.1 million) segments.

Since we increasingly conclude pan-European licence agreements with large Digital Service Providers directly, instead of through our foreign sister societies, we thus also collect less often through these foreign sister societies.

In 2019, royalties from the Live Performances segment increased further, mainly driven by further growth in the number of licensed performances and events, from over 90,000 in 2018 to over 101,500 in 2019. At the time of publication of this annual report, it is not yet clear how this market will develop further.

Compared to 2018, the collection level for general licences in 2019 rose by € 0.6 million. This increase was mainly accounted for by the Public Use segment, in particular shops, restaurants and bars. Income from the various workspaces was stable.

Income from Radio & TV is under pressure. In 2019, some of the royalties for 2018 had to be paid back to local and regional broadcasters due to the new regulations. On the other hand, in 2019, as in 2018, subsequent income from rights revenue was realised for the previous year. The decreasing collection from Radio & TV was partly compensated by providers of networks such as KPN and Ziggo, driven by a growing number of subscriptions. Consequently, total royalties in this category fell by € 0.3 million compared to 2018.

Royalties from abroad fell by € 0.1 million in 2019 compared to 2018. One of the causes is that in this market we are confronted with a variety of discussions and positions of local tax authorities regarding withholding taxes to be deducted. Buma has obtained external tax advice on this point and this international discussion is not expected to be completed in the short term.

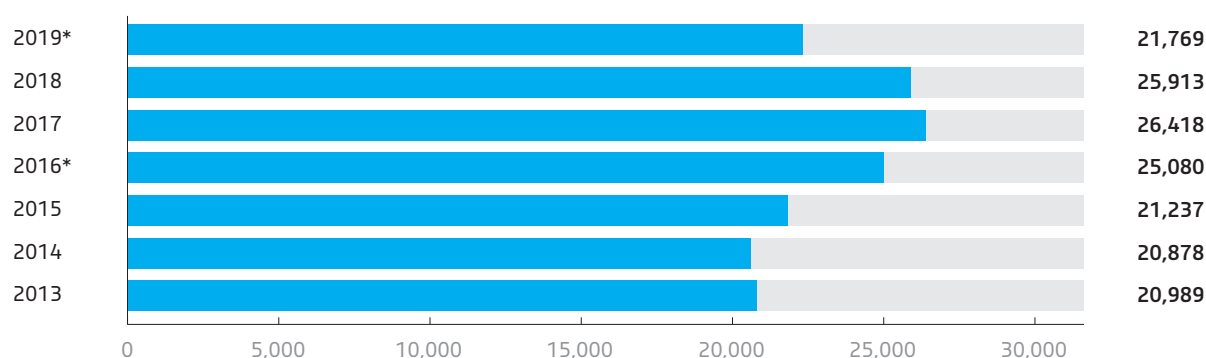
## 1.2.2 MANAGEMENT COSTS

Buma's expenses can be specified as follows:

(x € 1,000)

	Realisation 2019	Realisation 2018
Personnel costs	10,330	11,588
Other expenses	9,172	12,059
Accommodation costs	628	744
Amortisation and depreciation	1,639	1,522
<b>TOTAL BUMA</b>	<b>21,769</b>	<b>25,913</b>

### DEVELOPMENT OF MANAGEMENT COSTS (x € 1,000)

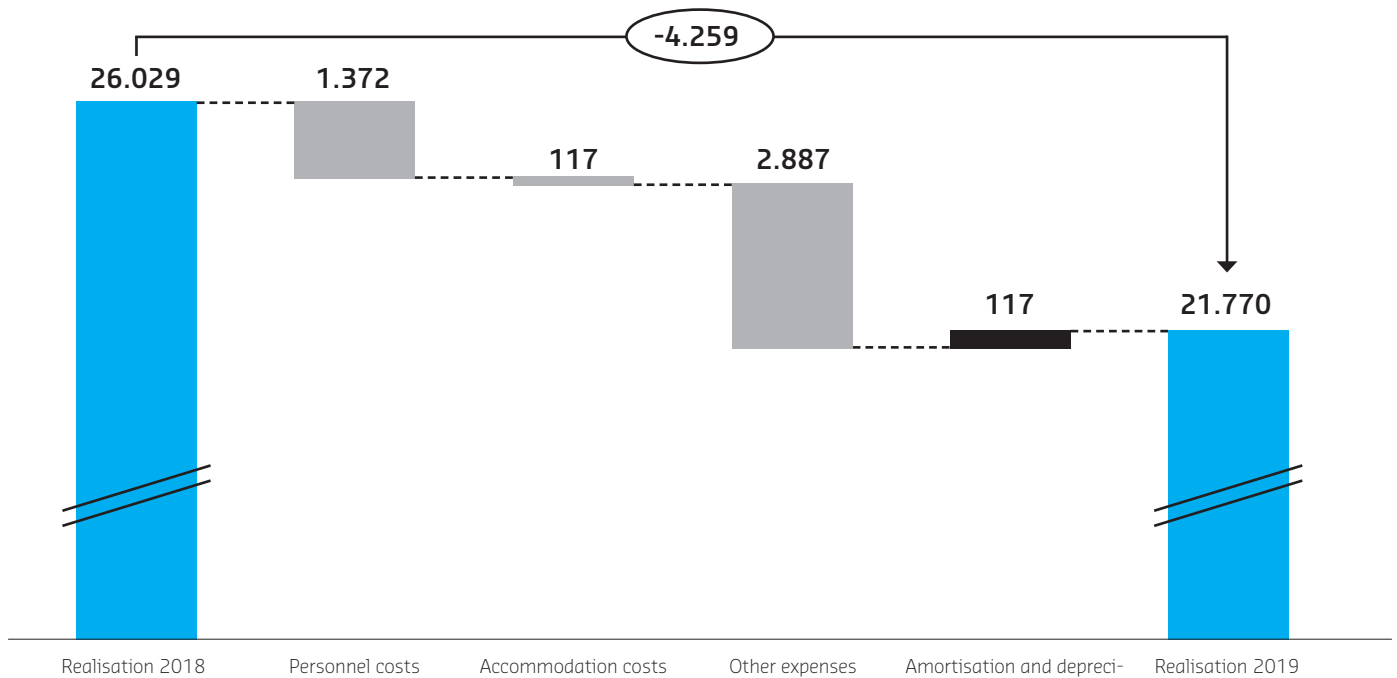


\* In 2016, the development of the management costs increased due to the fact that the allocation key for the costs between Buma and Stemra was adjusted from 75/25 to 90/10 in that year. In 2019, the percentage was set to 83/17.

In order to make a representative comparison between the management costs in 2019 and 2018, the comparative figures for 2018 have been adjusted to the position as stated in the separate financial statements of Buma (2018). The difference between the separate and consolidated financial statements is caused by the charging on of personnel costs from Vereniging Buma to Buma Beleggingsfonds (2018 € 0.1 million). The developments in the costs as further explained in this section are thus free from the effects as a result of the discontinuation of Buma Beleggingsfonds. In 2019, thanks to cost control measures and the absence of non-recurring costs that we had to incur in previous years, management costs decreased by € 4.1 million compared to the previous year. There is a third explanation for

the decrease, namely the changed allocation key of the costs between Buma and Stemra, as a result of which fewer costs were allocated to Buma. In recent years, an allocation key of 90/10 (Buma/Stemra) has been applied for this, following a board resolution in 2016 valid up to the 2018 financial year and to be evaluated thereafter. In 2019, the percentage was changed to 83/17.

In that same year, joint costs fell by 10% or € 3.1 million, from € 29.3 million to € 26.2 million. Personnel costs allocated to Buma fell by € 1.3 million and other costs fell by € 2.9 million.



In 2019, Buma had an average of 122.3 FTEs (2018: 122.8 FTEs). Following the small decline in the average number of FTEs, salaries plus social security costs in 2019 were € 0.1 million lower than in 2018. Pension costs fell by € 0.3 million, mainly because 2018 included a non-recurrent item for the transfer of the PNO Media deposit. Other personnel costs were € 0.9 million higher in 2018 as a result of a number of (expected) non-recurrent severance schemes. In 2019, € 0.1 million non-recurrent costs were incurred for the recruitment of Directors under the Articles of Association. The costs for hiring temporary staff, as well as personnel costs charged on to Stemra, were stable compared to 2018.

A total of € 2.1 million in the fall in other costs is accounted for by lower costs for outsourcing and IT. This decrease is largely related to the reduction in outsourcing, while the average number of new FTEs has been falling since 2018, from 26.5 to 25.3 in 2019. In addition, some of the IT services outsourced previously were reassigned to Buma early 2019. The costs charged on by Buma to Stemra and other parties in 2019 further increased by € 1.0 million. This is the result of the adjusted cost allocation method.

### 1.2.3 COVERAGE OF MANAGEMENT COSTS

The costs of Buma are covered from six sources of income:

1. entrance fees and annual fees;
2. other income;
3. fixed administration fees on the collection from the categories Online (15%), Abroad (5%) and Foreign Network Providers (10%);
4. normative return on investments;
5. balance of other financial income and expenses;
6. the remaining costs are divided into all categories of rights, with the exception of Online, Abroad and Foreign Network Providers.

## COVERAGE OF THE MANAGEMENT COSTS

(x € 1,000)

	2019	2018
<b>TOTAL EXPENSES</b>	<b>-21,769</b>	<b>-25,913</b>
<b>TOTAL COVERAGE</b>		
(1) Entrance and annual fees	893	853
(2) Other income	70	32
(3) Administration fee withheld upon distribution	4,390	4,426
<b>Coverage of costs from income</b>	<b>5,353</b>	<b>5,311</b>
(4) Normative return	2,188	2,804
(5) Balance of other financial income and expenses	-467	-525
<b>Coverage from normative return and other financial income</b>	<b>1,721</b>	<b>2,279</b>
(6) Variable administration fee for other categories of rights	14,695	18,323
<b>TOTAL COVERAGE</b>	<b>21,769</b>	<b>25,913</b>

In 2019, the cost coverage from entrance fees and annual fees, the administration fee withheld under distribution and other income is fairly stable compared to 2018. The normative return was € 0.6 million lower. Following the fall in management costs by more than € 4.1 million in 2019, € 3.6 million lower coverage was required from variable administration fees compared to 2018.

### 1.2.4 FINANCIAL INCOME AND EXPENSES

#### Investment policy

Since the 1990s, royalties that cannot yet be distributed to the rights owners are invested. The aim is to achieve a return responsibly that partly covers the management costs and that allows us to charge lower administration fees, thus placing less pressure on the copyright royalties to be distributed. This way, the return that is achieved ultimately benefits the rights owners. As indicated, our investment profile is risk-averse and thus our portfolio is characterised by a wide spread and a limited position in equities.

In 2019, asset management was transferred from Caseis (Kas Bank) to ABN AMRO MeesPierson (AAB). In addition, our Asset Liability Management (ALM) has changed, which means that a new Strategic Asset Allocation (SAA) was established on 31 December 2019.

The SAA can be deviated from as a result of market movements, after which the portfolio will be rebalanced if it moves outside the aforesaid bandwidth.

At the end of 2019, the fixed-income portfolio had a strategic weighting of approximately 70%, comprising government bonds with a credit rating of AA or higher (15%), a fund investing in emerging market government bonds (10%), a corporate bond fund (33%) and a mortgage fund (12%). At the end of the same year, the equities portfolio weighed approximately 20% and was invested through an equity fund in a globally diversified portfolio, with due observance of the criteria for corporate social responsibility according to the United Nations Global Compact principles.

The investment portfolio largely consists of directly tradeable securities and/or funds and is mainly held in euros. Investments made outside the emerging markets other than in euros are hedged in said currency. Buma also uses several deposit facilities.

The composition of investments can be presented as follows:

	Strategic asset allocation (SAA) 2019	Bandwidth
Cash and cash equivalents	10%	0% - 20%
Equities	20%	15% - 25%
Fixed-income securities	70%	65% - 75%

We cover some of the management costs with the return on investments but that return does, of course, fluctuate from year to year. Hence we work on the basis of the aforesaid normative return, which is determined objectively, in advance. If the ultimate return is higher than the normative return, the difference will be added to the *appropriated reserve*. This appropriated reserve is used to compensate for future unforeseen financial setbacks and to finance new projects. If the ultimate return is lower than the normative return, it works the other way around and the difference will be withdrawn from the appropriated reserve, provided that it is sufficient. The normative return methodology ensures consistency in the (full or partial) coverage of the management costs. In years with high investment income (higher than the normative return), we create a buffer in an appropriated reserve that can be used in years with lower investment income (lower than the normative return).

In 2019, the investment portfolio achieved a return of € 15.9 million. Compared to 2018, the return on the investment portfolio was € 23.3 million higher. In 2019, the return was 9.7%, whereas in 2018, Buma realised a negative result of -/- 4.4% of the investment portfolio. Income was higher than the normative return, as a result of which an amount of € 13.7 million was added to the appropriated reserve.

#### CHANGES IN APPROPRIATED RESERVE

(x € 1,000)

	2019	2018
Income from securities and changes in value	15,868	-7,383
Less: Normative return	2,188	2,804
<b>ADDITION TO / WITHDRAWAL FROM APPROPRIATED RESERVE</b>	<b>13,680</b>	<b>-10,187</b>

Positive results were achieved in all asset classes and last year's losses were amply compensated. Investments in equities (+ 24%) and emerging markets (+ 16%) in particular achieved good returns, taking into account the value of investments as at 31 December 2019.

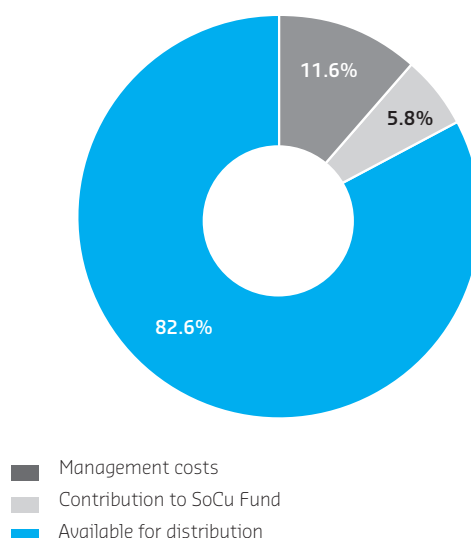
Stock markets have had a very good year, despite the slowdown in global economic growth. The central banks' monetary policy has contributed to this, as in 2019, interest rates were reduced in both Europe and the United States. In addition, in 2019, the agreement in principle in the trade conflict between the United States and China and the improvement of the economic data had a positive impact on fixed-income securities.

### 1.2.5 USE OF COLLECTED COPYRIGHT ROYALTIES

After deducting costs to cover management costs and the annual addition to the *So-Cu Fund*, the collected copyright royalties are made available for distribution. The annual addition to the So-Cu Fund concerns funds that, on the one hand, aim to provide rights owners with a social scheme such as the old-age provision (pension) and, on the other, to invest in the music sector in general in the form of education and organising events. We do this because a thriving music world is of great importance to all rights owners, as well as to Buma/Stemra itself.

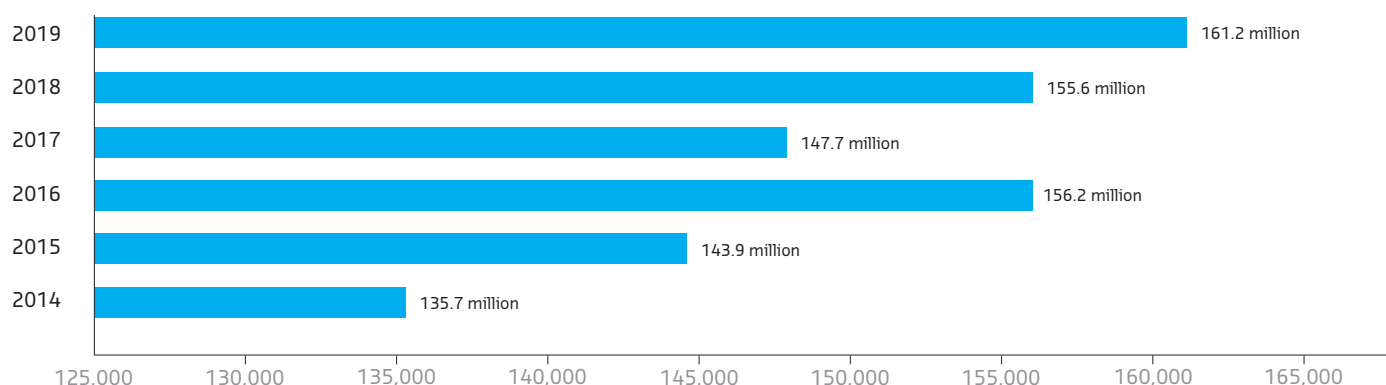
The graph below shows the distribution of the collected royalties, in which the aforesaid change in the distribution of joint costs must be taken into account.

#### DISTRIBUTION OF ROYALTIES COLLECTED IN 2019

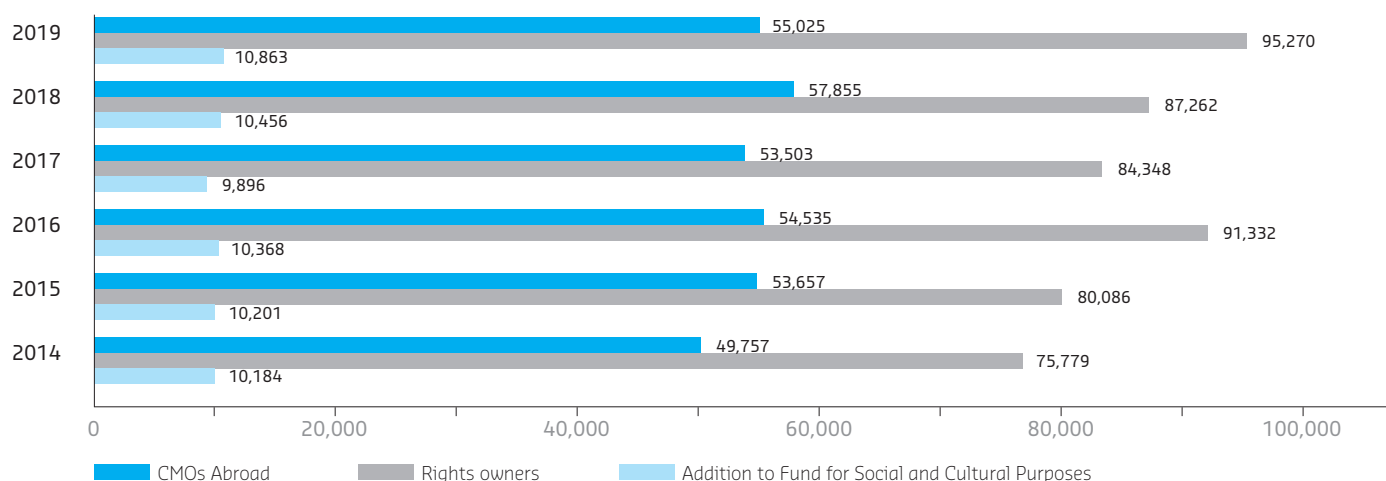


## 1.2.6 DISTRIBUTIONS

### CHANGES IN DISTRIBUTIONS TOTAL



### CHANGES IN DISTRIBUTIONS (x € 1,000)



In 2019, Buma distributed € 161.2 million to affiliated rights owners and organisations it has a reciprocity contract with, representing an increase of € 5.6 million compared to 2018. This does, of course, result from the increase in collected copyright royalties. Non-recurrent surcharges from the release of undistributed rights from abroad, resolved conflicts and use of the continuity reserve for compensation further contributed to the higher distribution.

Some of the Live Performance-related copyright royalties will not be distributed until 2020, as data from event organisers regarding music use was not available yet. The Live Performances royalties will be paid out quicker this year.

## 1.2.7 COST STANDARD

Since the introduction of the Supervision Act in July 2013, the government has imposed three cost standards for Collective Management Organisations. If these cost standards are exceeded, the reasons for this must be explained. These cost standards are deemed to have been exceeded if:

- The (gross) management costs in the year to which the annual report pertains exceed 15% of the amount that was collected in that year (the collection/royalties);
- The (gross) management costs in the year to which the annual report pertains exceed 15% of the amount that was distributed in that year (the distribution);
- The increase in management costs in the year to which the annual report pertains compared to the management costs in the previous year exceeds the increase in the consumer price index for the year to which the annual report pertains.

*In conjunction with Section 1(1)(a-c) of the Decree implementing the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act <http://wetten.overheid.nl/BWBR0033622/2016-12-21>*



## COST PERCENTAGES

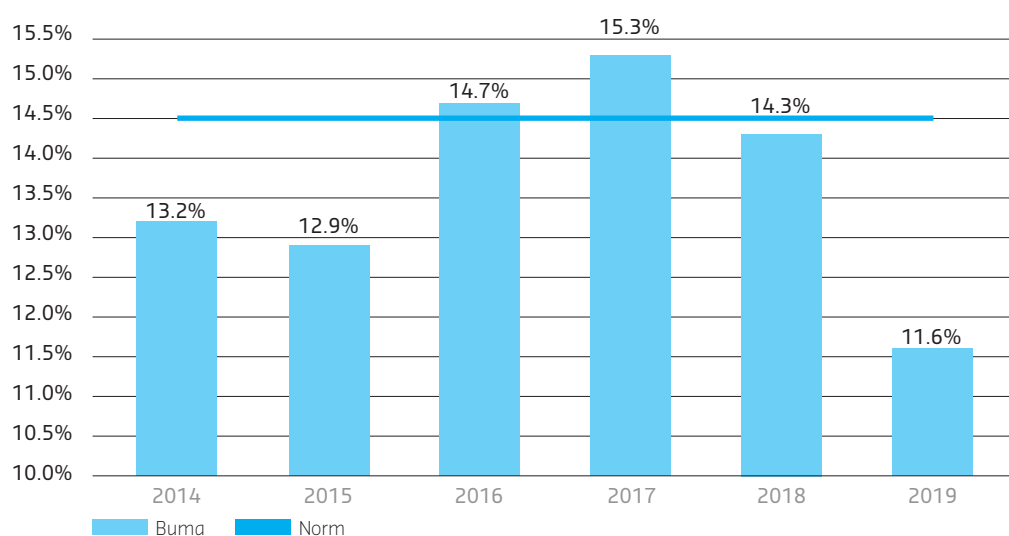
(x € 1,000)

	2019	2018
Collection by Buma	187,533	180,963
Distribution by Buma	161,158	155,573
Costs of Buma	21,769	25,913
Costs of Buma as % of the collection (gross)	11.6%	14.3%
Costs of Buma as % of the distribution (gross)*	11.8%	14.5%
Changes in costs of Buma compared to previous year	-16.0%	-1.9%
Average actual percentage withheld by Buma (net)**	10.2%	12.6%

\* As Buma applies a system of settlement of the administration fee upon collection, the distributed royalties presented in the financial statements concern 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 royalties.

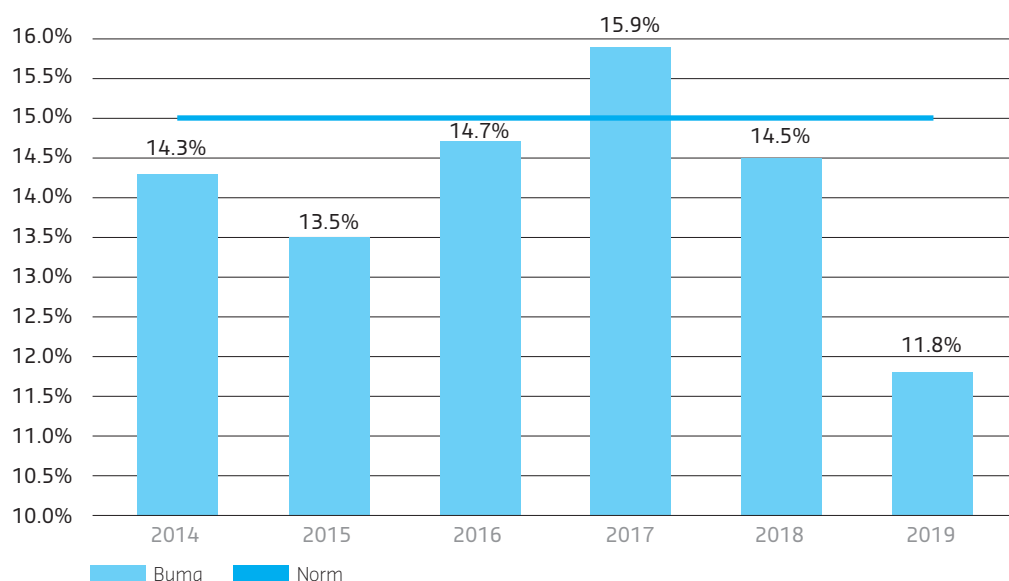
\*\* The cost percentage that is actually charged to the rights owners is lower than the gross management costs for which the norms of the CvTA have been set. This is because predefined fixed withholding percentages are applied for certain distribution categories, and also because a lower amount in costs is charged to rights owners thanks to the offsetting of costs against other income.

## COSTS AS PERCENTAGE OF THE COLLECTION



In 2019, Buma's cost percentage came to 11.6%, meaning that we complied with the norm that costs as a rule may not exceed 15% of the collection.

## COSTS AS PERCENTAGE OF THE DISTRIBUTION



Buma also complied with the norm that costs may not exceed 15% of the distributed amount.

## INCREASE IN COSTS COMPARED TO THE CPI

The table shows that the costs of Buma increased by 16.0% (€ 4.1 million) compared to 2018. In 2019, the consumer price index rose by 2.6%. Buma therefore complied with this norm.

### 1.2.8 ASSESSMENT OF FINANCIAL POSITION AND LIQUIDITY POSITION

Buma's capital consists of the appropriated reserve, which is related to the investment portfolio. Calculating solvency based on capital divided by debts has no direct significance in our case because effectively, no distinction can be made between equity and loan capital. By this we mean that both the reserve and the vast majority of debts on Buma's balance sheet at some point concern an obligation between Buma and its rights owners.

The liquidity ratio 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 ratio, Buma's investment portfolio is added to the cash and cash equivalents, because this is in direct relation to the copyright royalties to be distributed and because the investment portfolio is kept highly liquid. On this basis, the liquidity ratio for Buma is 1.09, which means that Buma can fulfil its obligations in the short term.

### 1.2.9 CASH FLOWS AND THE FINANCING NEED

The key cash flows for Buma are the copyright royalties collected and distributed during the year, as well as the management costs. Furthermore, purchases and sales are made for the investment portfolio.

Since Buma largely collects the copyright royalties at the beginning of the year, but only distributes it in the next, we have no external financing needs. This is because the above system leads to what is called a *base stock* of copyright royalties to be distributed, which can be used to finance current expenses and investments.

### 1.2.10 RISK MANAGEMENT

Buma focuses on managing the copyright of affiliated rights owners and issues licences for the use of music. This means that the organization is exposed to various risks, namely: strategic risks, compliance risks, operational risks and financial risks.

As befits a collective management organisation, Buma is highly prudent in the performance of the tasks entrusted to it. Our risk appetite is low. Risks are managed by means of the *planning & control cycle*. This cycle ensures the annual updating of the strategic objectives and their translation into annual plans, the annual determination of the financial budget based on the annual budget, and the periodical reporting of the progress and state of affairs on the basis of financial and non-financial information. The monthly *Business Review Meetings* of the Management Board with the various business units, in which the progress and quality of the activities are thoroughly discussed, are an important part of the planning & control cycle. In addition, these risks are periodically discussed with the Audit Committee.

Below is a brief (non-exhaustive) overview of the main risks Buma is exposed to and how we deal with these risks.

## STRATEGIC RISKS

At a strategic level, Buma is exposed to various risks due to emerging market trends and technological developments. These strategic risks are identified, closely monitored and regularly discussed in management consultations.

A strategic reorientation process was started in 2019. The strategic plan following on from this reorientation will be completed mid-2020 and aims to respond to opportunities and threats arising from emerging market trends and technological developments.

## COMPLIANCE RISKS

Buma has to deal with a variety of laws and regulations, such as the Supervision Act, legislation regarding financial statements and the Directors' Report (*Part 9 of Book 2 of the Netherlands Civil Code*), relevant governance codes, the CMO guidelines and international agreements in the CISAC context (*Confédération Internationale des Sociétés d'Auteurs et Compositeurs*). These laws and regulations must be complied with regarding the primary processes (such as collection and distribution) and also the supporting processes (such as financial processes).

An internal *Compliance Officer* ensures compliance with the laws and regulations within our organisation. This is important because non-compliance would mean that we risk losing our licence and our quality mark. The unqualified auditor's report would not be issued and we would incur reputational damage. The main reason, however, is that Buma aims to be a good *corporate citizen* who accepts its responsibility towards licensees and rights owners, its employees and also the society in which it operates.

For 2019, Buma once again met the norms of the CMO quality mark criteria. The associated CMO certificate will be renewed up to and including 2020. Buma's current governance model is in line with the VOI@E Guidelines for good governance and integrity of CMOs.

An independent Supervisory Board is in place that supervises the Management Board and a Council of Rights Owners who provides the Management Board with solicited and unsolicited advice.

## OPERATIONAL RISKS

Operational risks can arise due to possible disruptions in the process of collection from users or in the process of distribution to rights owners. The functioning of IT systems is an important part of this. The operational risks are included in a so-called *Risk Management and Control Framework*. The set-up and operation of this framework are regularly tested by the Internal Audit department.

The Internal Audit department assesses the quality of procedures and the internal control of internal business processes on the basis of an annually adopted audit, and forms an objective opinion on the quality of the controls with regard to the primary and supporting business processes, including governance, risk management and internal control measures.

The Internal Audit department's audit plan is determined based on a risk analysis. The Internal Audit department reports hierarchically to the CFO and has a direct reporting line to the CEO and to the Audit Committee of the Supervisory Board. The Audit Committee discusses the progress made on the audit plan adopted for the relevant year and the performance of the audits with Internal Audit at least once a year.

## ASSESSMENT OF THE DESIGN AND OPERATING EFFECTIVENESS OF THE INTERNAL CONTROL

Buma has an Internal Audit department. The Internal Audit department assesses the quality of procedures and the internal control of internal business processes on the basis of an annually adopted audit, and forms an objective opinion on the quality of the controls with regard to the primary and supporting business processes, including governance, risk management and internal control measures. In 2018, the first steps were taken to improve the effectiveness of the deployment of Internal Audit through an approach based on risk analysis. The Internal Audit department reports hierarchically to the CFO and has a direct reporting line to the CEO and to the Audit Committee of the Supervisory Board. The Supervisory Board discusses the progress made on the audit plan adopted for the relevant year and the performance of the audits with Internal Audit at least once a year.

## FINANCIAL RISKS

Buma recognises as its main financial risks: fraud risk, liquidity risk, currency and interest rate risk and share price risk.

A financial budget is drawn up annually. The progress made is reported to the Board on a monthly basis and then discussed in Business Review Meetings with the various business units. The Board makes the final decisions, sets budgets and monitors the progress and quality.

The fraud risk is mitigated through a proactive, structured and focused approach in which the Internal Audit department plays a key role. In addition, various measures are in place to manage fraud risks, such as segregations of duties and authorisation matrices. These measures apply to actions that create obligations (including purchasing), payment transactions and contract management. In the area of investments, management duties are strictly segregated from custody and administration duties. The custody and administration are performed by Kas Bank, an external party. Kas Bank has an ISA 3402 (type I and type II) certificate.

There is a lead time between collection and distribution. During this time, the resulting cash is invested in a risk-averse manner in order to optimise the value of the cash. Each month, the cash flow and the expected cash position are forecast through a liquidity forecast. In principle, exchange rate fluctuations and interest rate changes do not affect the financial results of our organisation. Generally, cash inflows and outflows are denominated in euros. The investment fund, however, has positions in currencies other than the euro. The policy is to limit the impact of exchange rate fluctuations as much as possible. Where there are positions due to the absence of a natural hedge of transactions or items in other currencies, the organisation uses financial instruments. In the past year, a Treasury Charter was drawn up that describes in a transparent manner how the investment and currency risks are controlled.

## FINANCIAL RISKS

Buma recognises as its main financial risks: risk of fraud, liquidity risk, currency and interest rate risk and investment risks.

A financial budget is drawn up by the Management Board each year. Based on pre-determined budgets, the financial report is discussed by the Management Board in monthly Business Review Meetings with the directors of the different business units, with a department manager present on a rotating basis for specific explanations. Healthy and transparent accounting for income and expenditure and strict internal control by management (based on e.g. data analyses and detailed checks) reduce the risk of fraud and comparable irregularities within our organisation.

Buma mitigates liquidity risks by means of a monthly liquidity forecast. The liquidity development is influenced mainly by the processing time between the collection and distribution of copyright royalties. Currency and interest rate risks are mitigated by striving for a *cash flow* (incoming and outgoing cash flows) in euros as much as possible.

As for our investments, we switched to a new asset manager, ABN AMRO MeesPierson, in 2019. On average, an Asset Liability Management (ALM) study is conducted every five years on behalf of the Management Board. This was revised in 2019 and the current investment strategy has been determined based on this. As stated previously, we opt for a risk-averse profile in terms of investment policy, applying the principle of basic, passive and cost-efficient investing in order to mitigate financial risks. As a main rule, investments are made in euros to limit currency risks. If investments must be made in other currencies, these investments are covered with euros by means of *hedges* within the relevant fund.

The equities portfolio is invested passively through a diversified investment fund, in which exclusion conditions are applied in line with sustainable ESG criteria (Environment, Social and Governance). In terms of government bonds, investments are made in individual bonds; more specifically, in European government bonds. We opt for collective investments as regards other bonds.

## INFORMATION SECURITY

The proper security and availability of our information is crucial for Buma. This applies to all data flows, both physical and digital. Information security is high on the agenda at Buma and we work with a *General IT Control Framework* for all ICT-related processes. In 2019, a number of improvement projects were implemented: old servers were replaced and we modernised the backup method and it now includes both data and systems and is *cloud-based*.

## INSURANCES

In 2019, after comparing different insurance brokers, Buma switched to a new insurance broker. Our organisation has an insurance portfolio in which effectively insurable risks have been placed that cannot be prevented by internal control measures. This portfolio includes a third-party liability insurance policy, a supervisory board and management board liability insurance policy, a cyber security policy and a group business travel and accident insurance policy.

## TAX MATTERS

Buma operates exclusively in the Netherlands and is subject to the Dutch tax regime. Buma is confronted with foreign withholding taxes for the collection of copyright royalties through foreign sister societies. Tax is levied at normal or reduced rate, depending on the existence of any tax treaties. Discussions are taking place with the Dutch Tax and Customs Administration about the applicability of corporation tax and the introduction of *horizontal monitoring*. This means that Buma, based on transparency and mutual trust, enters into prior agreements with the tax authorities about work processes and tax issues, so that we obtain more certainty about our tax position quicker.

## 1.3 VOI©E QUALITY MARK DISTRIBUTION AUDIT

The Association of Organisations that Collectively Administer Intellectual Property, i.e. VOI©E, is the trade association of CMOs for copyrights or neighbouring rights. Buma/Stemra is a member of this association. The condition VOI©E sets for membership is that the CMO meets the criteria of the CMO quality mark. This quality mark contains specific and verifiable norms for transparency and quality. Part of this quality mark is that CMOs must continuously review the distribution regulations and board resolutions on the distribution, i.e. every three years. This review is performed within Buma by the Management Board in various board and committee meetings, partly on the basis of advice from the Council of Rights Owners and the Distribution Committee. The results of the most recent review include that:

- the collection of category CB (ballet schools and dance performances) is added to distribution category AS (Amusement Special),
- as from year covering use of 2020, the switch can be made to distribution per quarter as regards Live Performance distributions,
- the Buma distribution of General Rights and Film 2018 and the distribution of the fees collected for background music based on the so-called *Media Market Share Survey* will be separated,
- the distribution category Folk and the associated category Folk background mechanical are relabelled to RadioNL and RadioNL\_AM, and
- with regard to Dutch public broadcasters, the addition to regional radio will be discontinued.

## BALLET MUSIC

On 29 April 2019, the Management Board adopted the advice of the Council of Rights Owners and decided to add the fees collected from distribution category CB to distribution category AS. Consequently, distribution category CB is discontinued. This change enables Buma/Stemra to distribute to its rights owners directly as much as possible. This change means that the user of the musical work pays for the actual use of the rights owner's musical work (also referred to as 1-on-1). Previously, payments from multiple users and music use were aggregated, resulting in an average fee per unit of use/musical work that was separate from the actual use/amount.

Said change takes effect from the year covering use of 2018. Rights owners have already noticed the change in the distribution of Buma General Rights and Film, which took place in September 2019.

## ACCELERATING LIVE PERFORMANCE DISTRIBUTION

On 29 April 2019, on the advice of the Council of Rights Owners, the Management Board, as regards the Buma distribution of Live Performances, decided to pay the special sections (AL, AS, ASE, CSE)

quarterly, with effect from 2020. The internal settlement will take place prior to the year of use. Since this structural adjustment must be approved by the General Members' Meeting, it has been decided in advance to use a one-off cost percentage set by the Management Board for the year covering use of 2020. The corresponding *AL amount* (i.e. a fixed amount per set list) will be determined prior to the year of use as well, rather than afterwards.

With regard to the one-off cost percentage to be set in advance for the year covering use of 2020, the Council of Rights Owners advised the Management Board on 27 November 2019 to opt for a conservative scenario with limited risk. A possible disadvantage is that rights owners receive a lower contribution than they are ultimately entitled to, which can be rectified retrospectively by means of additional payments.

Since Buma/Stemra is switching to an accelerated payment system, it is important that set lists are known well in advance. The sooner set lists are known, the sooner it becomes clear how often which repertoire will be used. The Management Board adopted the advice of the Council of Rights Owners on 6 January 2020.

## MECHANICAL BACKGROUND MUSIC

The Management Board has adopted the advice of the Council of Rights Owners and decided to separate the distribution of Buma General Rights and Film 2018 (to be distributed in September 2019) and the distribution of the fees collected for background music based on the Media Market Share Survey (MVO). This means that this part of the Background Music collection no longer forms an unrecognisable part of the distribution of the RTV categories (resolution of 24 April 2019), forming its own recognisable distribution section instead.

## FOLK MUSIC

Within the framework of the review of the distribution regulations and board resolutions on distribution requested by VOI©E, the Council of Rights Owners advised the Management Board on 27 November 2019 to convert the distribution category Folk and the associated Folk category background mechanical (i.e. any form of background music played back by means of audio equipment) into RadioNL and RadioNL\_AM. In the past, the genre category Folk was created because a lot was collected and licensed for folk music. Nowadays, RadioNL is the only channel with direct collections and which also receives an addition from the AM budget. *Fingerprint* data of RadioNL are available and by relabelling to RadioNL, the distribution becomes more transparent. Since both the money and the repertoire originate from RadioNL, maintaining a separate genre category Folk is no longer of interest. The Management Board adopted this advice on 6 January 2020.

## CABLE FEES RADIO

On 27 November 2019, The Council of Rights Owners advised the Management Board to discontinue the addition to regional radio with regard to Dutch public broadcasters. The cable fees from the foreign broadcasters are sent to the sister societies. They have applied a fixed percentage *television and radio allocation* of 35-65% for many years. The Distribution Committee has established that there was a 11.76% mark-down from the allocation radio to the regional channels.

\* AL stands for Live Entertainment and applies to receipts, fees and performance fees under € 1,000. AS means Amusement Special and applies to receipts, fees and performance fees above that amount. ASE is the so-called Surcharge Serious for performances of Symphonic Music or Chamber Music and Recitals in theatres. Lastly, CSE is the Surcharge Serious for Other Concert Music, predominantly jazz.

However, no board resolution on that percentage can be found in the records and with the disappearance of the region window, the basis for the mark-down has become redundant. Besides, regional radio is now fingerprinted. The Management Board adopted this advice on 6 January 2020.

## 1.4 PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The Buma Supervisory Board consists of nine persons. Only natural persons may be appointed members of the Supervisory Board. Six persons are appointed in the manner referred to in Article 17, paragraph 3, under a and b. Three independent persons, including the independent Chairman of the Supervisory Board, are appointed by the members in accordance with Article 17, paragraph 2. A member of the Supervisory Board of Buma must also be a member of the Supervisory Board of Stemra. The profiles of the members of the Supervisory Board are:

A.Four music authors who are members or who are music authors within a company that is a member, which music authors are elected by the members/affiliates who are music authors, including:

- composers of serious music,
- composers of entertainment music,
- composers of media music and
- lyricists.

B.Two persons who are participant publishers (Article 8, paragraph 1) or hold a managerial position in a publishing company that is a participant (Article 9, paragraph 1) and who are elected by the members/affiliates who are publishers.

C.Three independent persons, including one independent Chairman, as referred to in Article 13, paragraph 2.

The Management Board consists of at least two members, one of which is the Chairman of the Board and one the Financial Director. Members of the Management Board must be natural persons who are not members or participants of Buma and who do not sit on the Supervisory Board of Buma. Members of the Management Board are appointed and dismissed by the General Members’ Meeting on the recommendation of the Supervisory Board. On the recommendation of the Supervisory Board, the General Members’ Meeting appoints one of the members of the Management Board as Chairman of the Board and one as Financial Director.

The complete provisions in the Articles of Association regarding the Supervisory Board are contained in Article 13 through to Article 19 of the Articles of Association of Buma. The complete provisions in the Articles of Association regarding the Management Board are contained in Article 21 through to Article 24 of the Articles of Association of Buma.

## 1.5 TRANSPARENCY REPORT

The Transparency Report (Collective Rights Management Directive) Decree came into effect on 1 January 2017. This resolution is a further implementation of Article 2q of the Supervision Act, under which the publication of a transparency report has been required from the 2017 reporting year. This annual report includes all components as described in this Act. Appendix 1 contains the reference table regarding the legal obligation to publish a transparency report. The purpose of this table is to make it easy for the reader to find the mandatory elements of the transparency report in this annual report.

### REFUSAL OF INFORMATION TO GRANT A LICENCE

Anyone who plays music belonging to the repertoire administered by Buma must obtain prior permission for this from Buma. Provided that certain standard conditions are met, including the payment of a fee, Buma grants this permission in the form of a licence. Buma does not refuse to grant licences; however, it does have the option of suspending its permission if certain contractual obligations, including payment of the fee due, are not met. If music is published or about to be published without the necessary permission, Buma exercises its right of prohibition.

### DISTRIBUTION FREQUENCY

The table below shows the distribution frequency per type of use within Buma. The distribution of Online and Foreign royalties is quarterly, the other categories are paid annually in September. In 2020, we will start accelerated quarterly distributions for Live Performance royalties.

	Q1	Q2	Q3	Q4
Restaurants and bars			X	
Work spaces			X	
Shops and stores			X	
Radio, TV and Network Providers			X	
Live performances			X	
Online	X	X	X	X
Abroad	X	X	X	X

### COMMENTS AND COMPLAINTS

Buma regards the number of comments and complaints we receive as a measure of how we have performed in identifying copyrighted work and in the subsequent allocation and distribution of royalties. Not all royalties can be distributed immediately, for example, because work cannot be identified (yet) or because the rights owner is not known (yet). The lower that number of undistributed royalties, the fewer negative comments and complaints. In 2019, a total of 11,493 comments were submitted to Buma, compared to 12,332 in 2018. Two complaints were filed, compared to three in 2018. Both complaints were handled satisfactorily, even before the official complaints procedure was started.

# —2. REPORT **SUPERVISORY BOARD**



## 2. REPORT OF THE SUPERVISORY BOARD

The year 2019 was the first full year after the transition from the old governance structure to the new one, i.e. from the old management model to the Supervisory Board model. During this transition period, the Supervisory Board monitored intensively and fulfilled its role in close proximity of the members of the Management Board.

The Directors' Report describes the results, main events, market developments and the priorities of the Management Board of Buma and accounts for the policy pursued. Following on from this, the report by the Supervisory Board reports on the supervision of this policy. To this end, the Supervisory Board provides insight into meetings and resolutions and into the interaction with the Management Board and Buma's stakeholders.

### THEMES

Within the framework of general supervision and supervision based on the *Supervisory Agenda*, the Supervisory Board paid additional attention to a number of themes. One important item was, of course, the appointment of the new Chairman of the Board and the preparation of the selection of the new Financial Director. This involved close cooperation with the Council of Rights Owners, the Works Council and the appointments advisory committee. Additional attention has also been paid to all developments in the various markets of users, publishers and music authors, developments in copyright as well as technological developments, of course, specifically those in the field of data, and the importance of these developments in drawing up a new strategy. With a view to Buma's continuity and its strategic developments, additional attention has also been paid to supervision in the run-up to replacing the ICT systems. The new rights owners' portal has also been subject to supervision.

### BASIC PRINCIPLE

In its supervision, the Supervisory Board always keeps in mind that Buma has been set up by and for its members. The Buma/Stemra organisation needs to serve this mission and be aware that the rights and royalties of our members and affiliates are our key concern. This is the basic principle of supervision and the Supervisory Board wants to make this tangible in its working methods, decision-making and advice and also wants to be accountable for this. The Supervisory Board also sees this awareness reflected among the members of the Management Board and, insofar as the Supervisory Board can observe this, among the employees.

### GRATITUDE

The Supervisory Board would like to thank the employees and the members of the Management Board for their commitment and dedication and for their contributions towards achieving the mission of Buma. During the past year, they have managed to exceed the 2019 collection and distribution targets, while remaining well below the budgeted management costs. The Supervisory Board would further like to thank the Council of Rights Owners for their commitment and contributions to Buma's objectives in 2019 and particularly also for their efforts in the selection of the new Chairman of the Board. The same gratitude is extended to the Works Council and the appointments advisory committee.

### NEW GOVERNANCE STRUCTURE AND SUPERVISORY BOARD MODEL

Since mid-2018, Buma/Stemra applies the Supervisory Board model set out in the Dutch Governance Code for the cultural sector and, more specifically, the Supervisory Board model of VOI©E.

Buma distinguishes the following bodies in its structure: the General Members' Meeting, the Council of Rights Owners, the Management Board, the Supervisory Board and the Works Council. The professional associations are also involved in governance within Buma, because they have the right to nominate supervisory directors. The powers vested in the professional associations are described in the Articles of Association and the Rules.

Buma's policy is decided and its success assessed within this governance structure. This structure creates a considerable degree of complexity, because a large number of people are active in the various bodies. Consequently, the effectiveness of this structure depends not only on the rules, but also on how everyone involved works together and how the various bodies actually use their powers.

In this structure, the Supervisory Board also supervises the interaction between the Council of Rights Owners and the Management Board. Of particular importance therein is that the Management Board involves the Council of Rights Owners in the relevant topics in a timely and sufficient manner, that the Council of Rights Owners provides the proper information in this respect and that the Management Board includes the input of the Council of Rights Owners in its decision-making process, in a manner that can be verified by both the Council of Rights Owners and the Supervisory Board. The Management Board will incorporate the topics discussed with the Council of Rights Owners in its report.

Buma is supervised by the Supervisory Authority for Copyrights. In addition to the Management Board, the Supervisory Board too periodically liaises with this Authority, partly driven by the Supervisory Agenda.

### MEETINGS

In Appendix 2.1, you will find an overview of the Supervisory Board meeting dates, the items discussed and the resolutions. The Supervisory Board supervises in line with the annual administrative calendar. This annual calendar follows the cycle from strategy to annual plan and budget and subsequently the accountability for the policy in the annual report. Throughout the year, the Supervisory Board monitors the implementation of the annual plan and the realisation of the budget, carefully examining the underlying factors that are relevant to the success of the strategy and its implementation.

Within that framework, the Supervisory Board discussed the quality of Buma's core functions with the Management Board, namely the financial function, the ICT function and the legal function. The relevant managers gave presentations in which the issues that played a role in these functions were discussed. The Supervisory Board was given a detailed picture of the state of affairs in the three specific areas from the people responsible for these functions.

As regards the financial function, the Supervisory Board discussed the following items with the Management Board:

- the accuracy of the collection of copyright royalties,
- the principles, quantity, sources and speed of the collection of copyright royalties in connection with that accuracy, and
- the amount and speed of the distribution of royalties.

In addition, the size and purpose of the investment portfolio was discussed in relation to the speed and frequency of distributions of copyright royalties.

As for ICT, the Supervisory Board discussed with the Management Board the structure, function and risks involved of the condition of the current ICT systems, among other things. Furthermore, it has become apparent to the Supervisory Board that the Management Board clearly understands the need for replacement. The current system is reliable, however, the exponential increase in the use of data means that the system is not guaranteed to be future-proof.

The Management Board and the Supervisory Board recognise that a new ICT structure must properly support Buma's new strategy, for example, in terms of offering differentiated services or providing music authors with data-based products and services. A decision on the reorganisation and replacement of elements in the ICT structure and the structure as a whole will be taken in the course of 2020.

As regards the legal function, the influence of technological and contractual developments in the markets and in copyright law has been discussed.

In 2019, the Management Board of Buma set up a process aimed at delivering the new Buma strategy in 2020. In 2019, the Management Board met with external and internal stakeholders to map out all relevant developments for Buma and to translate these into relevant issues for rights owners and users.

The Management Board has defined *operational excellence* as the first step towards a multi-year strategy. The Management Board involves the Supervisory Board in the deliberations in the run-up to the new strategy and the Supervisory Board challenges the Management Board in a positive and constructive manner in discussions about ICT-related themes, new data-based business models, customer value and international issues, among other things.

In 2019, the Supervisory Board also supervised the administrative implementation of the items that are still on the Supervisory Agenda. The Supervisory Board and the Management Board periodically report on this to the Supervisory Authority for Copyrights.

## COMMITTEES

The Supervisory Board distinguishes three committees, namely: the Audit Committee, the Stakeholders Committee and the Remuneration Committee. The function of these committees is to explore topics and make preparations so as to allow for a more extensive exchange of views within the Supervisory Board on dilemmas and in preparation of decision-making.

## COMPOSITION OF COMMITTEES

### Audit Committee

1. Ruud Hopstaken
2. Jolanda Messerschmidt
3. Marc Swemle
4. Niels Walboomers

### Remuneration committee

1. Jolanda Messerschmidt
2. Arriën Molema
3. Raymond van Vliet
4. Josephine de Zwaan

### Stakeholders Committee

1. Anthony Fiumara
2. Ruud Hopstaken
3. René Meister
4. Raymond van Vliet
5. Josephine de Zwaan

Appendices 2.2 and 2.3 provide an overview of the meeting dates and the items discussed in the committees. During the meetings, no items were discussed that could have led to a conflict of interest for the members of the Supervisory Board.

## INTERACTION SUPERVISORY BOARD - COUNCIL OF RIGHTS OWNERS

In 2019, a *three-chair meeting* took place between the Chairmen of the Supervisory Board, the Council of Rights Owners and the Chairman of the Board. A new periodic consultation is planned for 2020.

## INTERACTION SUPERVISORY BOARD - WORKS COUNCIL

In 2019, the Supervisory Board met with the Works Council three times, partly under Article 24(1) of the Works Councils Act. In a limited composition, part of the Supervisory Board met several times about the recruitment and selection of the members of the Management Board.

## THE EMPLOYER'S ROLE: APPOINTMENT OF TWO DIRECTORS UNDER THE ARTICLES OF ASSOCIATION

The Supervisory Board collectively participated in the recruitment and selection of the members of the Management Board. Based on the CEO profile, it was decided to appoint Bernard Kobes as Chairman of the Board under the Articles of Association. This appointment was confirmed at the General Members' Meeting of 30 October 2019.

In 2019, based on the *CFO profile*, the recruitment and selection of the Financial Director under the Articles of Association was initiated, replacing the current interim CFO. The Supervisory Board expects to be able to recommend to the GMM a candidate CFO for appointment.



## GENERAL MEMBER'S MEETING

The regular General Member's Meeting was held on 12 June 2019. In addition, the Management Board convened an additional Members' Meeting, which was held on 30 October 2019.

In addition to the standard items such as the adoption of the minutes of the previous General Members' Meeting, the agenda of the regular General Members' Meeting included:

- The transparency report including the 2018 financial statements of Buma,
- The adoption and feedback of the Social and Cultural policy,
- Explanation of the strategic development,
- Motion to amend the Articles of Association, including the recording of joint authority of directors,
- Motion to amend the Distribution Rules, including the option of registration via the portal and an amendment regarding Private Copying and Lending Rights in connection with the *HP-Retrobel* ruling,
- Motion to reappoint a Board member at Buma Cultuur.

The General Members' Meeting adopted the following resolutions:

- Ratification and extension of the appointment of Cees van Steijn as a Director under the Articles of Association, also acting Chairman of the Board, until 1 November 2019 and of the appointment of Siebe van Elsloo as a Director under the Articles of Association, also acting CFO, until mid 2020,
- Adoption of the 2018 financial statements of Buma,
- Discharging the Management Board and the former management of Buma from all liability,
- Endorsement of the proposed amendment to the Articles of Association,
- Endorsement of the proposed amendment to the Distribution Rules,
- Reappointment of Jeff Hamburg as a Board member of Buma Cultuur.

In anticipation of this General Members' Meeting, the Management Board and Supervisory Board organised an informal evening to enable members and affiliates to obtain prior information for the benefit of the General Members' Meeting. Although attendance was very limited, the Management Board and Supervisory Board, given the importance for the individual members concerned, intend to always precede the regular GMM by such an informal evening.

The main items on the agenda of the additional Members' Meeting on 30 October 2019 were:

- Appointment of the Director under the Articles of Association, also Chairman of the Board,
- Explanation of the change in the cost allocation method for Buma and Stemra.

This Members' Meeting resolved to appoint the nominated candidate, Bernard Kobes, as Director under the Articles of Association, also Chairman of the Board, as from 1 November 2019.

## DRAFT OF ANNUAL REPORT AND MANAGEMENT LETTER, ADOPTION BY THE SUPERVISORY BOARD

The 2019 draft annual report was discussed with the Audit Committee on 22 April 2020 and with the full Supervisory Board on 6 May 2020, both times in the presence of the auditor. The auditor's *management letter* was discussed with the Audit Committee on 18 March 2020, in the presence of the auditor.

## EDUCATION AND SELF-EVALUATION

Early 2020, the Council of Rights Owners, the Management Board, the Works Council and the Supervisory Board attended a joint training programme, partly on the basis of the self-assessment results held in 2019.

At the end of 2019, the Supervisory Board conducted a self-assessment led by an external facilitator, which assessment shared characteristics with a baseline measurement. One year after the introduction of the new governance model, the Supervisory Board wanted to form a picture of its current functioning within Buma. In specific terms, the members have evaluated whether the Supervisory Board properly understands and fulfils its role and whether it is effective as a supervisory body. More in particular, the Supervisory Board wants to know whether the optimisation of its performance can be accelerated and whether that acceleration may be hampered by possible impediments. Within the framework of this self-evaluation, the Supervisory Board has also instructed the Management Board, the Council of Rights Owners and the Works Council to be interviewed.

In addition to the functioning of the Supervisory Board, the question was raised whether the governance as a whole works well. The results of this will become available in early 2020 and be discussed in the first half of 2020. The conclusion is that the Supervisory Board has made a positive start and has grown well in its role. In the period September 2018 to September 2019, the Supervisory Board was able to supervise the Management Board relatively closely, using the Supervisory Agenda as guidance. The Supervisory Board is now gradually retreating, but will still formulate development goals in consultation with the Management Board.

Finally, it is clear that, from an agenda point of view, the implementation of the new governance model within Buma/Stemra has placed considerable demands on the directors and supervisory directors within the organisation and continues to do so.

## RETIREMENT SCHEDULE

Early 2019, the Supervisory Board adopted a retirement schedule that provides for members taking office and retiring in phases.

Members of the Supervisory Board:

Anthony Fiumara  
Ruud Hopstaken  
René Meister  
Jolanda Messerschmidt  
Arriën Molema, Vice-chairman  
Marc Swemle  
Raymond van Vliet  
Niels Walboomers  
Josephine de Zwaan, Chairman

# —3. REPORT FROM THE COUNCIL OF RIGHTS OWNERS

### 3. REPORT FROM THE COUNCIL OF RIGHTS OWNERS

While in 2018, the Council of Rights Owners mainly focused on the implementation of the new governance structure, 2019 was a year of action, during which there was sufficient room for a more in-depth analysis of the substantive issues and challenges. An example of such an issue was the different parts of the distribution rules, which are reviewed every three years. Developments in the online field and requests for advice on Buma/Stemra's Social and Cultural Policy too were given the necessary attention by the Council of Rights Owners.

In May 2019, the Council of Rights Owners elected from among its members Rita Zipora Verbrugge as permanent Chairman and Mark Bremer as Vice-chairman. In 2019, the Council of Rights Owners also appointed two permanent and two temporary committees from among its members. The permanent committees concern the Distribution Committee and the GMM Committee. All decisions concerning the distribution included in the rules are reviewed by the Distribution Committee every three years. This means that the Committee assesses whether the manner of distribution still fits within the current music practice or whether improvements can be made. The GMM committee provides the Management Board of Buma/Stemra with input to provide the General Members' Meeting with relevant content for the members. The temporary committees are the Cultural Funds Committee and the Appointments Advisory Committee.

#### COMMITTEES

The Distribution Committee meets once a month and deals with topics on the *review calendar*, i.e. the list containing the planning of distribution items to be discussed. The review calendar for 2019 was adopted by the Council of Rights Owners and the Management Board on 12 December 2018. The Distribution Committee includes one representative of each section, so music authors and publishers from media music, pop music and serious music (classical music and jazz). In 2019, the Distribution Committee issued seven recommendations that were adopted by the full Council of Rights Owners first, after which they were forwarded to the Management Board. The Management Board has adopted these recommendations, see the Directors' Report for an explanation.

The GMM committee provides input to the employees of Buma/Stemra who are involved in the organisation and planning of the General Members' Meeting. This committee started in the latter part of 2019. The committee met twice with regard to the General Members' Meeting of 30 October 2019. In addition, the GMM committee met once in 2019 to hold preliminary discussions on the General Members' Meeting of 26 August 2020.

Early 2019, the Management Board submitted a request for advice to the Council of Rights Owners regarding the future of Social Cultural Funds, which are distributed through the So-Cu Fund referred to earlier in this report. The Council of Rights Owners has divided the topics Social and Cultural and set up a separate Cultural Funds Committee with regard to the culture component. The full Council of Rights Owners has held a brainstorming session to clarify the main objectives of the Cultural Funds. Subsequently, the committee further elaborated these main objectives and issued a recommendation on this to the

Management Board in 2020. The Social component regarding this topic will be discussed further in 2020.

Lastly, two members of the Council of Rights Owners have taken seat on the Appointments Advisory Committee in 2019. The purpose of this committee was to provide advice on the appointment of the new Director under the Articles of Association, also Chairman of the Board.

#### THEMATIC SESSIONS

The Council of Rights Owners held a total of seven plenary meetings and one strategy session. Appendix 2.4 provides an overview of the meeting dates of the Council of Rights Owners, the items discussed and the recommendations made. In addition to the regular meetings, separate thematic sessions were held. These thematic sessions focused on topics with regard to which the Council of Rights Owners considered it necessary to obtain more information in order to act as a sounding board for the Management Board. The sessions discussed topics that included Radio & TV, Online and Abroad.

#### RECOMMENDATIONS

The Council of Rights Owners issues both solicited and unsolicited recommendations to the Management Board and the Supervisory Board. In 2019, the Council of Rights Owners issued twelve recommendations on request and one unsolicited recommendation. The unsolicited recommendation related to the topic Online. Given the rapid developments in this area, the Council of Rights Owners advised the Management Board to pay more attention to specific components within Online, such as the new method of payment by online providers. Not only are the deals made by Buma important in this regard, but also how we can raise awareness that works must be registered faster than people were used to in order to be compensated for online use of works.

#### SELF-EVALUATION

In 2019, the Council of Rights Owners conducted a self-assessment and set to work on the resulting findings. For example, it turned out that several members were in need of further training, which need must be dealt with further in 2020.

#### INTERACTION COUNCIL OF RIGHTS OWNERS - MANAGEMENT BOARD

The plenary meetings of the Council of Rights Owners are attended by the Management Board at the request of the Council itself. The Council of Rights Owners is very positive about the cooperation and in particular the provision of information, also during the thematic sessions, owing to open communications and a clear division of roles between the Council of Rights Owners and the Management Board.

#### INTERACTION COUNCIL OF RIGHTS OWNERS - SUPERVISORY BOARD

The self-evaluation of the Council of Rights Owners identified a desire for more contact with the Supervisory Board. This will be responded to in 2020: Following the 2019 three-chair meeting between the chairmen of the Supervisory Board and the Council of Rights Owners and the Chairman of the Board, new periodic consultations are planned for 2020. A joint training session will be organised as well.

## GRATITUDE

The Council of Rights Owners thanks the employees, the Works Council and the members of the Management Board of Buma/Stemra for their efforts to properly manage the capital of the members, i.e. their copyrighted works, and to increase their use where possible. In particular, the Council of Rights Owners wants to extend its gratitude to Siebe van Elsloo, the acting CFO for the very pleasant cooperation and his commitment to the rights owners. The Council of Rights Owners would also like to thank the Supervisory Board for the pleasant cooperation and their efforts in the recruitment and selection of the members of the Management Board.

Members of the Council of Rights Owners:

Mark Bremer, Vice-chairman  
Iason Chronis  
Ben van den Dungen  
Hans Everling  
Monique Krüs  
Wim Kwakman  
Davo van Peursen  
Aafke Romeijn  
Martijn Schimmer  
Koen Vergouwen  
Johan van der Voet  
Rita Zipora Verbrugge, Chairman

# —4. ADOPTION OF **FINANCIAL STATEMENTS**

## 4. ADOPTION OF FINANCIAL STATEMENTS

After auditing the financial statements of Vereniging Buma, Mazars N.V. issued an unqualified auditor's report in respect of the financial statements. We propose to adopt the financial statements 2019 of Buma in accordance with Article 27, paragraph 7, of the Articles of Association and to grant discharge from liability to the members of the Board in respect of the performance of their duties in the financial year 2019.

Hoofddorp, 5 August 2020

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### MEMBERS OF THE SUPERVISORY BOARD:

Anthony Fiumara	Member of the Supervisory Board
Ruud Hopstaken	Member of the Supervisory Board
René Meister	Member of the Supervisory Board
Jolanda Messerschmidt	Member of the Supervisory Board
Arriën Molema	Vice-chairman
Marc Swemle	Member of the Supervisory Board
Raymond van Vliet	Member of the Supervisory Board
Niels Walboomers	Member of the Supervisory Board
Josephine de Zwaan	Chairman

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### MEMBERS OF THE MANAGEMENT BOARD:

Bernard Kobes	Chief Executive Officer
Siebe van Elsloo	Acting Chief Financial Officer

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# —5. FINANCIAL STATEMENTS

## 5.1 BALANCE SHEET AS AT 31 DECEMBER 2019

After appropriation of the result

(x € 1,000)

	31/12/2019	31/12/2018
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible fixed assets (1)	3,102	3,598
Tangible fixed assets (2)	2,193	2,499
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Accounts receivable (3)	10,935	9,586
Other receivables (4)	1,262	165,587
Taxes and social security contributions	960	613
Prepayments and accrued income (5)	496	1,874
	<b>13,652</b>	<b>177,661</b>
<b>Securities (6)</b>	<b>163,306</b>	-
<b>Cash and cash equivalents (7)</b>	<b>75,064</b>	<b>56,020</b>
<b>TOTAL ASSETS</b>	<b>257,317</b>	<b>239,778</b>

(x € 1,000)

	31/12/2019	31/12/2018
<b>LIABILITIES</b>		
<b>Equity (8)</b>		
Continuity reserve	-	1,855
Appropriated reserve	27,110	13,430
	<b>27,110</b>	<b>15,285</b>
<b>Provisions (9)</b>	<b>7,519</b>	<b>7,755</b>
<b>Non-current liabilities (10)</b>	<b>4,240</b>	<b>5,216</b>
<b>Current liabilities</b>		
Copyright royalties to be distributed (11)	201,121	192,011
Accounts payable	310	1,509
Taxes and social security contributions	342	367
Other liabilities (12)	13,053	14,683
Accruals and deferred income (13)	3,622	2,954
	<b>218,448</b>	<b>211,523</b>
<b>TOTAL LIABILITIES</b>	<b>257,317</b>	<b>239,779</b>



## 5.2 OPERATING STATEMENT FOR 2019

(x € 1,000)	2019	2018
<b>INCOME (14)</b>		
Administration fee withheld upon distribution	4,390	4,426
administration fee withheld in the year of collection	14,695	18,323
Entrance and annual fees	893	852
Other income	70	33
<b>Total income</b>	<b>20,048</b>	<b>23,634</b>
<b>EXPENSES</b>		
Personnel costs (15)	10,330	11,588
Accommodation costs	628	744
Amortisation and depreciation (1+2)	1,639	1,522
Other expenses (16)	9,172	12,059
<b>Total expenses</b>	<b>21,769</b>	<b>25,913</b>
<b>Balance of financial income and expenses</b>	<b>-1,721</b>	<b>-2,279</b>
<b>FINANCIAL INCOME AND EXPENSES</b>		
Income from securities	817	830
Changes in value (6)	15,011	-8,216
Interest income and similar income	40	3
Interest expenses and similar expenses	-467	-525
<b>Balance of financial income and expenses</b>	<b>15,401</b>	<b>-7,908</b>
<b>Result before taxes</b>	<b>13,680</b>	<b>-10,187</b>
Taxes (17)	-	-
<b>Result after taxes</b>	<b>13,680</b>	<b>-10,187</b>
<b>Appropriation of the result</b>	<b>2019</b>	<b>2018</b>
Addition to/withdrawal from:		
- Continuity reserve	-	-
- Appropriated reserve	13,680	-10,187
	<b>13,680</b>	<b>-10,187</b>

## 5.3 CASH FLOW STATEMENT FOR 2019

(x € 1,000)	2019	2018
Result after taxes	13,680	-10,187
Adjustments for:		
Amortisation intangible fixed assets (1)	1,162	983
Depreciation tangible fixed assets (2)	477	538
Unrealised changes in the value of securities (6)	-15,011	7,908
Changes in operating capital	161,829	9,683
Transfer of assets/liabilities Stichting Buma Beleggingsfonds (4)	-163,918	-
	<b>-15,462</b>	<b>19,112</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>-1,782</b>	<b>8,925</b>
Purchases of securities (6)	-140,566	-
Repayments received / sale of securities (6)	153,791	-
Other changes in securities (6)	137	-
Changes in continuity reserve (8)	-1,855	-
Changes in provisions (9)	-236	-898
Change in non-current liabilities (10)	-968	-144
Change in copyright royalties to be distributed (11)	9,111	2,775
	<b>19,414</b>	<b>1,733</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>17,632</b>	<b>10,658</b>
Investments in intangible fixed assets (1)	-666	-643
Investments in tangible fixed assets (2)	-171	-634
	<b>-837</b>	<b>-1,277</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-837</b>	<b>-1,277</b>
<b>NET CASH FLOW</b>	<b>16,795</b>	<b>9,381</b>
Cash and cash equivalents as at 1 January (7)	56,020	46,639
Transfer of cash and cash equivalents to Stichting Buma Beleggingsfonds	2,249	-
Cash and cash equivalents as at 1 January after transfer	58,269	46,639
Cash and cash equivalents as at 31 December (7)	75,064	56,020
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>16,795</b>	<b>9,381</b>

## 5.4 NOTES TO THE FINANCIAL STATEMENTS

### INFORMATION ABOUT THE LEGAL ENTITY

#### Business address and trade register number

Vereniging Buma has its registered office in Amstelveen and principal place of business at Saturnusstraat 46-62 in Hoofddorp. The company is registered with the Chamber of Commerce in Amsterdam under file number 40530934.

### GENERAL INFORMATION

#### Key activities of the legal entity

The objective of Vereniging Buma (hereinafter also 'Buma') is to promote both the tangible and intangible interests of music authors 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 administration areas. Buma stands for Bureau Muziek Auteursrechten (Music Copyright Bureau).

#### Period under review

These financial statements concern the financial year 2019, which ended at the balance sheet date of 31 December 2019.

#### Information about group structures

The financial statements of Vereniging Buma concern the company financial statements. The financial data of Vereniging Buma are included in the financial statements in accordance with the Dutch Accounting Standards.

Stichting Buma Beleggingsfonds (BBF), a legal affiliate, was dissolved in 2019; hence there are no consolidated financial statements for Vereniging Buma and BBF as from 2019. These separate financial statements also include the investments and other assets and liabilities, the economic value of which was taken over from BBF as from 1 January 2019, as well as the results on these assets and liabilities for the 2019 financial year.

Although Vereniging Buma and Stichting Stemra collaborate in one staffing organisation, there is no intragroup relationship between them, as they are not part of the same economic entity under the relevant statutory provisions, because of the strict segregation between Vereniging Buma and Stichting Stemra.

#### Comparative figures

The (current account) relationship with BBF has been included in the comparative figures for 2018. The BBF was a legally affiliated foundation which incorporated the implementation of Buma's investment policy. This foundation was dissolved in 2019 after the economic value of investments and other assets and liabilities were transferred to Buma on 1 January 2019. As regards the securities on the balance sheet as at 31 December 2019, these were still held through BBF at the end of 2018 with Buma having a current account claim against BBF. Some of the cash and cash equivalents were also still held through BBF at the end of 2018. Apart from a different presentation on the balance sheet, this has led to some adjustments in the cash flow statement. To provide better insight, a different presentation of the cash flow statement has been opted for. The consequences for the presentation of the operating statement are negligible.

#### Information about estimates

In the preparation of the financial statements, the Board uses estimates and assumptions when applying the accounting policies 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. Changes in estimates are recognised in the period affected by the change.

In the view of the Management Board, the following changes in accounting policies are the most critical to the presentation of the financial position and require estimates and assumptions:

- Valuation of receivables;
- Actuarially determined provisions, such as the provision for the annual allowances scheme of Stichting Sociaal Fonds Buma, and the provision for long-service awards;
- Claims by licensees and/or rights owners related to the collection and distribution of copyright royalties.

### BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

#### Continuity of the activities

These financial statements have been prepared using the going concern basis of accounting.

#### Applied accounting standards

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code, as required by Section 2q(3) of the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act ('Supervision Act'). In addition, the applicable quality mark criteria of VOI®E (Association of Organisations that Collectively Administer Intellectual Property) have been taken into account.

Unless stated otherwise in the explanation of the accounting policies, assets and liabilities are stated at historical cost. An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the value of the asset can be measured reliably.

A liability is recognised in the balance sheet when it is probable that its settlement will result in an outflow of resources embodying economic benefits and the amount at which the settlement will take place can be measured reliably.

An asset or liability recognised in the balance sheet remains on the balance sheet when 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 recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks associated with the asset or liability being transferred to a third party or

being lost. Income is recognised in the operating statement when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in economic potential related to a decrease in an asset or an increase in a liability has arisen that can be measured 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. Unless stated otherwise, all amounts are rounded to thousands of euros.

### Translation of amounts in foreign currency

Transactions denominated in foreign currency are translated into euros at the exchange rate prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated into euros on the balance sheet date at the exchange rate applicable at this date. Exchange rate differences arising from the settlement of monetary items, or arising from the translation of monetary items into 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 translated into euros at the exchange rate applicable at the transaction date. The exchange rate differences arising from the translation are recognised in the operating statement.

### Leases

The organisation can enter into financial and operational lease contracts. A lease agreement where all or substantially all the risks and rewards associated with the ownership of the leased asset are transferred to the lessee qualifies as a financial lease. All other lease agreements classify as operational leases. The classification of a lease is determined based on the economic substance of the transaction, not its legal form.

### Operational leases

If the organisation acts as the lessee in an operational lease, the leased asset is not recognised. 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 in respect of operational leases are debited and credited respectively 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 derived from the use of the leased asset.

### Pension plans

Vereniging Buma offers its employees a career average pension plan. This pension plan is administered by Stichting Bedrijfstakpensioenfondsen voor de Media, PNO (the industry-wide pension fund for the media sector). 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 the liabilities in respect of the pension contributions have short terms, they are stated at their nominal value. The risks in connection with wage developments, price indexation and the investment returns on the pension plan assets could lead to future adjustments in the annual contributions to the pension fund. In the event of a shortfall at the industry-wide pension fund, Vereniging Buma is not obliged to pay additional contributions other than higher future pension contributions.

### 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 the directly attributable transaction costs being included in the initial recognition. If, however, financial instruments are subsequently recognised at fair value with changes in value being recognised in the operating statement, the directly attributable transaction costs are recognised directly in the operating statement upon initial recognition.

After their initial recognition, financial instruments are measured 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 recognised in the operating statement. The fair value is determined based on the listed market price.
- Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not at the free disposal of Stemra, this is taken into account in their valuation. Cash and cash equivalents denominated in foreign currency are translated into the functional currency at the balance sheet date at the exchange rate applicable on that date. Please also refer to the pricing principles for foreign currency transactions.
- Liabilities are stated at amortised cost using the effective interest rate method. The effective interest is recognised directly in 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 stated at fair value, with changes in value being recognised in the item 'Changes in value' in the operating statement.

## PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

### Intangible fixed assets

Intangible fixed assets are stated at cost of acquisition or manufacture less cumulative amortisation and impairment. Amortisation charges are calculated as a percentage of the cost of acquisition or manufacture using the straight-line method based on the estimated useful life.

Advance payments on tangible fixed assets and assets under construction are not depreciated. Intangible fixed assets are assessed at each balance date for indications that these assets are subject to impairment. If such indications are present, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. For impaired intangible fixed assets that have not yet been taken into use, however, the recoverable amount is determined at each balance sheet date.

The estimated useful life is as follows:

- business information system 3 - 8 years

### Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or manufacture less cumulative depreciation and impairment. Amortisation charges are calculated as a percentage of the cost of acquisition or manufacture using the straight-line method based on the estimated useful life. Advance payments on tangible fixed assets and assets under construction are not 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 recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

The estimated useful life is as follows:

- hardware / computer equipment 3 - 5 years
- other operating assets 5 - 10 years

### Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost. Provisions deemed necessary for possible losses on account of uncollectibility are withheld. These provisions are determined based on individual assessments of the receivables.

### Securities

Listed shares and bonds are part of a trading portfolio and are stated at their market value at the balance sheet date, with both unrealised and realised changes in value being recognised directly in the operating statement.

### Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not at the free disposal of Stemra, this is taken into account in their valuation.

### Continuity reserve

One of the aims of the continuity reserve is to ensure the continuity of the performance of the activities and the fulfilment of obligations to third parties, also 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 or withdrawn from the appropriated reserve via the appropriation of the result. This is based on the realised return, 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. Pursuant to Article 27, paragraph 6, of the Articles of Association of Vereniging Buma, the financial statements are adopted by the General Members' Meeting. The Board proposes to the General Members' Meeting to withdraw the deficit from or to add the surplus to the appropriated reserve. The appropriation of the result is included in the financial statements.

### Provisions

A provision is recognised in the balance sheet for a legal or constructive obligation arising from a past event, when it is probable that an outflow of funds will be required for the settlement of this obligation, and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

### Provision for long-service awards

The provision for future long-service awards is the provision for future long-service awards to active employees with a permanent employment contract. The provision concerns the estimated amount of the future long-service awards. The calculation is based on the commitments made, employee retention rates and ages.

## Provision for annual allowances scheme of Stichting Sociaal Fonds Buma

The provision for the annual allowances scheme of Stichting Sociaal Fonds Buma (SFB) concerns a provision for the annual allowances paid to (former) music authors and publishers and their survivors through SFB. Although the obligations are conditional, they are recognised as a constructive obligation based on the agreements entered into and the raised expectations. The provision has been charged to the Fund for Social and Cultural Purposes. Therefore, any release of the provision will be credited to the Fund for Social and Cultural Purposes. 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 Stichting Sociaal Fonds Buma.

### Fund for Social and Cultural Purposes

The Fund for Social and Cultural Purposes serves to advance the intangible or tangible interests of composers, lyricists 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 30, paragraph 4 of the Articles of Association, the percentage is determined annually by the Board, following a proposal from the Management, subject to a maximum of 10%. The withholding is part of the distribution. With the approval of the Supervisory Board and with due observance of Article 30, paragraph 3, of the Distribution Rules approved by the Members' Meeting, the Board of Buma decides on expenditures and distributions 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 in 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:

- 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 in respect of comments with regard to the distribution (also in view of the indemnification that Buma provides to the paying licensee\*). The reserve is based on historical data regarding claims paid out per distribution section for comments that were deemed to be justified, and amounts to no more than 2%.

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 distributed proportionally to the various distribution sections via the general distribution in the fourth calendar year after collection. For works that are claimed by multiple rights owners (contradictory claims), no distribution takes place until it is clear who the rights owner is. A longer reserve period may be used for royalties received from sister societies for which insufficient information has been received to be able to distribute them.

## PRINCIPLES FOR DETERMINING THE RESULT

### 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 permit fully offsetting the income and expenses in the relevant financial year 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'.

### Financial income and expenses

Dividends are recognised in the period in which they are made payable. 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.

### Fair value measurement

The fair value of a financial instrument is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

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.

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

## Taxes

Taxes comprise the current income tax payable or recoverable for the reporting period. The taxes are recognised in the operating statement. Current tax comprises the expected tax payable or recoverable in respect of the taxable profit for the financial year, calculated on the basis of tax rates enacted as at balance sheet date.

In an advance tax ruling extended until 31/12/2019, the Dutch Tax and Customs Administration has determined that Vereniging Buma is subject to corporation tax. Deductible foreign withholding taxes and Dutch dividend tax may be deducted up to a maximum equal to the amount of tax due under this advance tax ruling. Consequently, no corporation tax is due for the financial year 2019. Buma is in discussions with the Tax and Customs Administration about the entities' tax qualification from 2020 onward.

## PRINCIPLES FOR THE PREPARATION OF THE 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. Purchases and sales of investments, interest and dividends received, and interest and costs paid in connection with investments qualify as cash flows from investment activities.

In the presentation of the cash flow statement, the copyright royalties received on behalf of the rights owners and the distributions made to rights owners are not recognised in the cash flow statement. The cash flows associated with the copyright royalties to be distributed by Buma are disclosed separately.



## NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

### (1) INTANGIBLE FIXED ASSETS

The changes in intangible fixed assets are as follows

(x € 1,000)	Business information systems	Assets under construction	Total
Balance as at 1 January 2019			
Cost of acquisition/manufacture	8,192	1,436	9,628
Cumulative amortisation	-6,030	-	-6,030
<b>Carrying amount as at 1 January 2019</b>	<b>2,162</b>	<b>1,436</b>	<b>3,598</b>
<b>Changes</b>			
Investments	666	-	666
Commissioning	1,109	-1,109	-
Amortisation and depreciation	-1,162	-	-1,162
Disposals Cost of acquisition/manufacture	-	-	-
Disposals, cumulative amortisation	-	-	-
<b>Total changes</b>	<b>613</b>	<b>-1,109</b>	<b>-496</b>
<b>Balance as at 31 December 2019</b>			
Total cost of acquisition	9,968	327	10,295
Cumulative amortisation and impairment	-7,192	-	-7,192
<b>Carrying amount as at 31 December 2019</b>	<b>2,775</b>	<b>327</b>	<b>3,102</b>

The first part of the MyBumaStemra portal went live in 2019. The assets under construction as at 31 December 2019 relate to the further development of new functionalities for MijnBumaStemra.

### (2) TANGIBLE FIXED ASSETS

The changes in tangible fixed assets are as follows

(x € 1,000)	Hardware / computer equipment	Other operating assets	Assets under construction	Total
Balance as at 1 January 2019				
Cost of acquisition/manufacture	3,292	1,373	287	4,952
Cumulative depreciation	-2,166	-287	-	-2,453
<b>Carrying amount as at 1 January 2019</b>	<b>1,126</b>	<b>1,086</b>	<b>287</b>	<b>2,499</b>
<b>Changes</b>				
Investments	153	18	-	170
Commissioning	287	-	-287	-
Depreciation	-329	-148	-	-477
Disposals Cost of acquisition/manufacture	-	-	-	-
Disposals, cumulative depreciation	-	-	-	-
<b>Total changes</b>	<b>111</b>	<b>-130</b>	<b>-287</b>	<b>-307</b>
<b>Balance as at 31 December 2019</b>				
Total cost of acquisition	3,731	1,391	-	5,123
Cumulative depreciation and impairment	-2,495	-435	-	-2,930
<b>Carrying amount as at 31 December 2019</b>	<b>1236</b>	<b>956</b>	<b>-</b>	<b>2193</b>



### (3) ACCOUNTS RECEIVABLE

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

Receivables from debtors include an amount of € 1.1 million (2018: € 1.1 million) with a term of more than one year. All the other receivables have an expected term of less than one year.

The carrying amount of the recognised receivables corresponds to their fair value, given the short-term nature of the receivables. Provisions for uncollectible amounts have been recognised where necessary.

The total provision for bad debts at year-end 2019 amounts to € 3.5 million (2018: € 3.5 million).

### (4) OTHER RECEIVABLES

(x € 1,000)

	2019	2018
BBF current account	-	163,918
Buma members and participants	738	951
Stemra current account	320	-
Sociaal Fonds Buma current account	88	81
SCAN current account	35	46
Other receivables	81	591
<b>Total as at 31 December</b>	<b>1,262</b>	<b>165,587</b>

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

At the end of 2018, Buma had a current account claim against BBF for investments held through this foundation. The economic value of BBFs investments and other assets and liabilities were transferred to Buma on 1 January 2019 and reported under the relevant balance sheet items at the end of 2019.

### (5) PREPAYMENTS AND ACCRUED INCOME

(x € 1,000)

	2019	2018
Prepaid expenses	474	706
Other prepayments and accrued income	22	1,168
<b>Total as at 31 December</b>	<b>496</b>	<b>1,874</b>

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

### (6) SECURITIES

(x € 1,000)

	2019	2018
Fixed-income securities	126,047	-
Equity funds	37,259	-
<b>Total as at 31 December</b>	<b>163,306</b>	<b>-</b>

Stichting Buma Beleggingsfonds (BBF) was dissolved in 2019. The economic value of investments was transferred to Buma on 1 January 2019. In the course of 2019, asset management was transferred from Caseis (Kas Bank N.V.) to ABN AMRO MeesPierson with the aim of simplifying the investment portfolio at lower costs and making it more sustainable.

Fixed income securities consist of government bonds, corporate bonds, government bonds from emerging markets and a mortgage fund. The equities in combination with the fixed-income securities have a wide spread, which means that the risk profile as a whole is relatively low.

The changes in the separate items are as follows:

(x € 1,000)	Fixed-income securities	Equity funds	Total
<b>Balance as at 1 January 2019</b>	-	-	-
Transfer of BBF	120,987	40,670	161,657
Purchases	105,445	35,121	140,566
Repayments/sales	-106,339	-47,452	-153,791
Changes in value	6,024	8,987	15,011
Other changes	-70	-68	-137
<b>Total changes</b>	<b>126,047</b>	<b>37,259</b>	<b>163,306</b>
<b>Balance as at 31 December 2019</b>	<b>126,047</b>	<b>37,259</b>	<b>163,306</b>

Due to the transfer, many purchase and sales transactions with large total values were executed in 2019. We expect to do significantly lower purchase and sales transactions in 2020.

#### (7) CASH AND CASH EQUIVALENTS

(x € 1,000)	2019	2018
Various banks	75,064	56,020
<b>Total as at 31 December</b>	<b>75,064</b>	<b>56,020</b>

The cash and cash equivalents are freely available with the proviso that a bank guarantee of € 0.3 million has been issued for the rent of the business premises (2018: € 0.5 million). The cash and cash equivalents consist of cash held at Dutch system banks. Since autumn 2019, Buma has been confronted with the fact that the negative policy interest rate of the European Central Bank is passed on by the Dutch banks. At Buma, we have managed to limit the impact of a negative interest rate on cash and cash equivalents held.

#### (8) RESERVES

(x € 1,000)	Continuity reserve	Appropriated reserve	Total
<b>Balance as at 1 January 2019</b>	<b>1,855</b>	<b>13,430</b>	<b>15,285</b>
Withdrawal from reserve	-1,855	-	-1,855
Appropriation of result financial year	-	13,680	13,680
<b>Total as at 31 December 2019</b>	<b>-</b>	<b>27,110</b>	<b>27,110</b>

The Management Board has decided to compensate rights owners of Buma for non-recurrent costs as a result of inspections in 2017 and 2018. The continuity reserve has been drawn on for this, which is in line with an objective of this reserve: levelling out undesired fluctuations in the amounts available for distribution. The € 1.9 million in released royalties were paid in December 2019 in the form of a supplement to the amounts paid out in September 2018 for Buma General Rights and Film 2017.

Of the income from securities and changes to the value of € 15.9 million for 2019 (2018: -/- € 7.4 million) a total of € 2.2 million (2018: € 2.8 million) has been set off against the administration fee passed on to rights owners.

Pursuant to Article 27, paragraph 6, of the Articles of Association of Vereniging Buma, the financial statements are adopted by the General Members' Meeting. The Board has proposed to the General Members' Meeting to add the surplus of € 13.7 million to the appropriated reserve. The appropriation of the result is included in the financial statements.

## (9) PROVISIONS

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

(x € 1,000)	31/12/2019	31/12/2018
Annual allowances scheme of Stichting Sociaal Fonds Buma	7,311	7,184
Long-service awards	208	197
Other provisions	-	374
<b>Total as at 31 December</b>	<b>7,519</b>	<b>7,755</b>

### ANNUAL ALLOWANCES SCHEME OF STICHTING SOCIAAL FONDS BUMA

Changes in the provision for the annual allowances scheme of Stichting Sociaal Fonds Buma are as follows:

(x € 1,000)	2019	2018
<b>Balance as at 1 January</b>	<b>7,184</b>	<b>7,776</b>
Interest payment	52	121
Mortality result	66	81
Indexation of annual allowances	125	126
Change in interest rate	609	-68
Change in life expectancy	117	53
Distributions	-842	-905
<b>Total as at 31 December</b>	<b>7,311</b>	<b>7,184</b>

Buma has made a conditional commitment to pay annual allowances to participants in the annual allowances scheme. This conditional commitment is administered by Stichting Sociaal Fonds Buma. The purpose of this foundation is to continue unchanged the annual allowances scheme for the payment of benefits to the group of recipients that existed on 1 July 1997.

Until now, the conditional annual allowances have been indexed annually based on Netherlands Statistics' price index.

As at 31 December 2018, the provision for the annual allowances scheme was determined based on a discount rate of 0.77% (2018: 1.65%). This change in interest rate increases the present value of the annual allowances obligations. Consequently, the expected annual interest payment has decreased.

### LONG-SERVICE AWARDS

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

(x € 1,000)	2019	2018
<b>Balance as at 1 January</b>	<b>197</b>	<b>203</b>
Interest payment	2	4
Addition debited /release credited to the result	20	2
Distributions	-11	-12
<b>Balance as at 31 December</b>	<b>208</b>	<b>197</b>

This provision concerns future long-service awards to employees, and is largely long term.

The provision for long-service awards includes an amount of € 24k (2018 € 10k) with a term of less than one year.

In 2018, a provision was recognised for several legal claims for which a reliable estimate could be made of the financial consequences. This provision was used in 2019.

## OTHER PROVISIONS

Changes in the other provisions are as follows:

(x € 1,000)	2019	2018
<b>Balance as at 1 January</b>	<b>374</b>	<b>300</b>
Addition	-	374
Withdrawal	-374	-300
<b>Balance as at 31 December</b>	<b>-</b>	<b>374</b>

In 2018, a provision was recognised for several legal claims for which a reliable estimate could be made of the financial consequences. This provision was used in 2019.

## (10) NON-CURRENT LIABILITIES

In addition to the pension obligation to the employees (with a term longer than one year), the non-current liabilities include the Fund for Social and Cultural Purposes. The liabilities in respect of this fund are disclosed below.

(x € 1,000)	31/12/2019	31/12/2018
Pension liability	138	449
Fund for Social and Cultural Purposes	4,102	4,767
<b>Balance as at 31 December</b>	<b>4,240</b>	<b>5,216</b>

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

(x € 1,000)	2019	2018
<b>Balance as at 1 January</b>	<b>4,767</b>	<b>4,898</b>
Addition from royalties to be distributed	10,863	10,456
Withdrawals	-11,530	-10,587
<b>Total changes</b>	<b>-666</b>	<b>-131</b>
<b>Balance as at 31 December</b>	<b>4,102</b>	<b>4,767</b>

The withdrawals from the Fund for Social and Cultural Purposes in 2018 can be specified as follows:

(x € 1,000)	2019	2018
<b>Social</b>		
Retirement provision for music authors and publishers for 2019 and 2018	5,364	4,807
Changes in retirement provision for music authors and music publishers until year-end 2018	-299	-187
Stichting Sociaal Fonds Buma commitments for 2020 and 2019	916	963
Stichting Sociaal Fonds Buma settlement relating to previous years	61	-710
Other	1	19
<b>Withdrawals Social</b>	<b>6,043</b>	<b>4,892</b>
<b>Cultural</b>		
Stichting Buma Cultuur commitments for 2019 and 2018	3,999	3,983
Stichting Buma Cultuur payment relating to previous years	-	-
Surcharge Serious	700	830
Stichting Brein	364	399
Professional associations	264	222
Other	160	261
<b>Withdrawals Cultural</b>	<b>5,487</b>	<b>5,695</b>
<b>Total withdrawals</b>	<b>11,530</b>	<b>10,587</b>

The withdrawals from the Fund for Social and Cultural Purposes in 2019 can be specified as follows:

(x € 1,000)	Social	Cultural	Total
<b>Awarded and distributed in current financial year</b>			
Professional associations	1	264	265
Other	-	200	200
Subtotal	1	464	465
<b>Awarded for distribution next financial year</b>			
Buma Cultuur	-	3,999	3,999
Stichting Brein	-	364	364
Sociaal Fonds Buma	916	-	916
Retirement provision (distribution calculated on income in financial year)	5,364	-	5,364
Surcharge Serious	-	700	700
Subtotal	6,280	5,063	11,343
<b>Settlement awarded for prior financial years</b>			
Stichting Sociaal Fonds Buma (settlement for operation)	-110	-	-110
Changes in provision for annual allowances for Stichting Sociaal Fonds	171	-	171
Changes in retirement provision	-299	-	-299
Other	-	-40	-40
Subtotal	-238	-40	-278
<b>Total withdrawal</b>	<b>6,043</b>	<b>5,487</b>	<b>11,530</b>

Since 2009, the annual expenditure of the Fund for Social and Cultural Purposes has exceeded the annual contributions to the Fund. As a result, the balance accrued until 2008 decreases annually.

The withholding from the amount of copyright royalties available for distribution for the Netherlands, and thus the addition to the fund, was set by the Board at 8.0% for 2019 (2018: 8.0%).

### Retirement provisions scheme

Retirement provisions are funded through the Fund for Social and Cultural Purposes for musicians and music publishers who are affiliated to Buma and who meet certain conditions. These funds must be used by musicians and music publishers themselves, for their own retirement provision. In 2019, the basis for the funds made available to music authors is 10% (2018: 10%) of the copyright fees received through Buma. The music publishers' retirement provision amounts to 50% of the maximum available amount for music authors. An income threshold of € 1,140 (2018: € 1,120) is applied for both music authors and publishers.

In 2019, an amount of € 5.4 million was withdrawn from the Fund for Social and Cultural Purposes for retirement benefits for 2019, which will be paid in 2020. This amount has been recognised as an obligation under the other liabilities.

### Stichting Sociaal Fonds Buma

The recognised amount of € 916k mainly concerns the commitment in respect of annual allowances for 2020 and other costs of Stichting Sociaal Fonds Buma.

### 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. The aim of Stichting Buma Cultuur is to contribute to defining and implementing Buma's cultural policy and creating and promoting musical works and related cultural expressions, in connection with Dutch music.

The amounts included for Stichting Buma Cultuur concern the grants that have been committed for 2020 of € 3,999k (in 2018 € 3,983k for the 2019 commitment).

### Other

The Surcharge Serious is a withdrawal from the Fund for Social and Cultural Purposes for the distribution to rights owners in the Serious Music section. The Surcharge Serious was paid out in the first quarter of 2020. The item 'other' under cultural expenditure mainly concerns expenditure in the context of the protection of copyright.

In 2018, it was agreed that VOI@E will collect the funds provided by the CMOs for the funding of Stichting BREIN for a period of three years. The withdrawal concerns a commitment for the year 2020.

## (11) COPYRIGHT ROYALTIES TO BE DISTRIBUTED

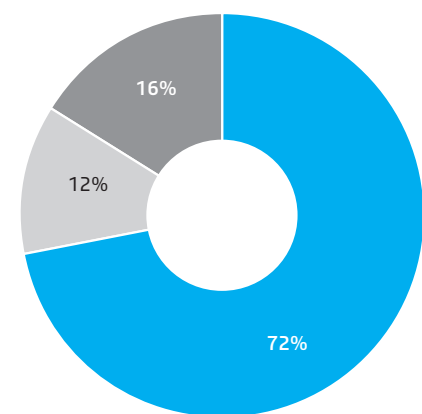
(x € 1,000)	2019	2018
Accrued in financial year	145,805	141,405
Royalties still in progress	32,142	31,444
Accrued in previous years	23,174	19,162
<b>Balance as at 31 December</b>	<b>201,121</b>	<b>192,011</b>

## Statement of changes in copyright royalties to be distributed

(x € 1,000)	2019	2018
<b>Balance as at 1 January</b>	<b>192,011</b>	<b>189,371</b>
<b>Collection:</b>		
Music use in the Netherlands	171,166	164,471
CMOs Abroad	16,367	16,492
<b>Revenue from copyright royalties</b>	<b>187,533</b>	<b>180,963</b>
<b>Addition:</b>		
Continuity reserve release	1,855	-
<b>Additions</b>	<b>1,855</b>	<b>-</b>
<b>Distributions to:</b>		
Directly affiliated rights owners	-95,265	-87,262
CMOs Abroad	-55,065	-57,855
<b>Distributions</b>	<b>-150,330</b>	<b>-145,117</b>
Administration fee withheld upon distribution	-4,390	-4,426
Administration fee withheld in the year of collection	-14,695	-18,323
Additions to Fund for Social and Cultural Purposes	-10,863	-10,456
<b>Withholdings</b>	<b>-29,948</b>	<b>-33,206</b>
<b>Balance as at 31 December</b>	<b>201,121</b>	<b>192,011</b>

On balance, the copyright royalties to be distributed increased by € 9.1 million compared to the previous year. This is mainly due to the increase in collected copyright royalties and the decrease of administration fees withheld in 2019. The changes are explained in more detail in the tables and texts below.

### COMPOSITION OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED FOR 2019



- Royalties still in progress
- Accrued in prior financial years
- Accrued in financial year

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

(x € 1,000)	2019	2018
<b>1. Accrued in financial year</b>	<b>145,805</b>	<b>141,405</b>
<b>2. Royalties still in progress due to:</b>		
- As yet unallocated royalties	22,603	19,884
- Warsaw rule	1,776	2,055
- Cable fees from abroad	1,473	1,884
- Contradictory claims	5,765	6,924
- Other	525	697
<b>Total royalties still in progress</b>	<b>32,142</b>	<b>31,444</b>
<b>3. Accrued in prior financial years</b>	<b>23,174</b>	<b>19,162</b>

The balance of the royalties to be distributed can be divided into three categories. These categories indicate in which phase of the distribution process the royalties are.

The first category concerns the royalties accrued in the financial year. These became available for distribution in the financial year. Some of this was already paid out in 2019. The largest part will be paid as part of distribution of the General Rights in 2020.

The second category concerns the royalties for which the distribution process could not be completed. Buma is committed to ensuring the fair distribution of the collected royalties. The collected royalties must be allocated to the correct rights owners. Sometimes, it is not possible yet to distribute royalties to the correct rights owners, for example because the registration of the copyrights is incomplete, or because there is disagreement between the rights owners on the distribution of the copyright to their works.

The third category concerns royalties accrued in previous years that cannot yet be distributed to the correct rights owners.

The following sections provide further information on each category.

## COPYRIGHT ROYALTIES ACCRUED IN THE FINANCIAL YEAR (€ 145.8 MILLION)

These royalties were accrued in the financial year and became available for distribution in the financial year. This section explains the composition of this category of royalties in more detail.

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

(x € 1,000)	2019	2018
Revenue from copyright royalties	187,533	180,963
Administration fee withheld in the year of collection	-14,695	-18,323
Addition from release of copyright royalty reserves	3,826	1,268
Fund for Social and Cultural Purposes	-10,863	-10,456
<b>Subtotal of distribution of received copyright royalties</b>	<b>165,801</b>	<b>153,452</b>
Distributed in financial year *	-19,996	-12,047
<b>Total as at 31 December</b>	<b>145,805</b>	<b>141,405</b>

\* This distribution partly consists of royalties accrued in previous years.

The copyright royalties were received from the following categories:

(x € 1,000)	2019	2018
Radio, TV and Network Providers	71,175	71,430
Live performances	35,179	34,065
Restaurants and bars	15,190	14,891
Work spaces	17,209	17,171
Shops and stores	13,450	13,234
Online	18,964	13,681
Abroad	16,367	16,492
<b>Total as at 31 December</b>	<b>187,533</b>	<b>180,963</b>



The withheld administration fee of € 14.7 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 € 3.6 million decrease in the administration fee withheld is due to several elements. First, the management costs to be covered by Buma fell by € 4.1 million. In 2019, the cost coverage from entrance fees and annual fees, the administration fee withheld under distribution and other income is fairly stable compared to 2018. The normative return was € 0.6 million lower.

In addition, € 3.8 million from the release of copyright royalty reserves will be added to the amount available for distribution (2018: € 1.3 million), regarding the lapsed reserves after expiry of the (legal) reserve period. The addition to the Fund for Social and Cultural Purposes increased by € 0.3 million. The distributions in the financial year concern the distribution of royalties that were collected in the financial year. This item also contains royalties that are not distributed by means of the general distribution method but via one-to-one use, and which became available for distribution in 2019. Part of these royalties were accrued in 2019.

The copyright royalties received in 2019 are distributed as follows:

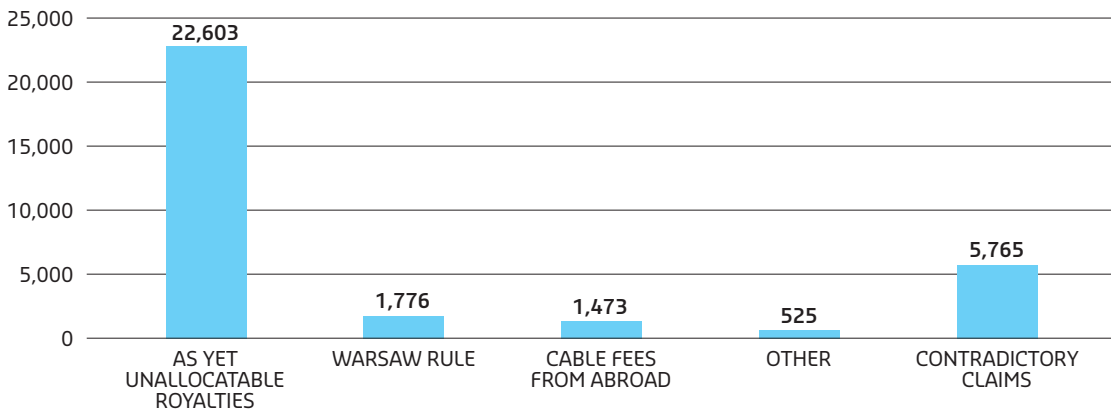
Distribution sections with administration fee to be withheld in year of collection	Copyright royalties	Administration fee withheld upon collection	Gross amount available for distribution	8% withholding for Fund for Social and Cultural Purposes	Addition from release of copyright royalty reserves	Net amount available for distribution
(x € 1,000)						
Serious Music sections	3,717	-363	3,354	-268	95	3,181
Live entertainment (excluding Mega Live Acts)	27,480	-2,684	24,796	-1,984	699	23,511
Mechanical entertainment	43,989	-4,296	39,693	-3,175	1,118	37,636
Radio	5,956	-582	5,375	-430	151	5,096
Television	45,899	-4,482	41,417	-3,313	1,167	39,271
Film	4,121	-402	3,719	-297	105	3,526
Cable	19,319	-1,887	17,433	-1,395	491	16,529
	<b>150,482</b>	<b>-14,695</b>	<b>135,787</b>	<b>-10,863</b>	<b>3,826</b>	<b>128,750</b>
Distribution sections with administration fee to be withheld upon distribution	Copyright royalties					Gross amount available for distribution
Mega Live Acts	1,721		1,721	-	-	1,721
Abroad	16,367		16,367	-	-	16,367
Online	18,964		18,964	-	-	18,964
	<b>37,052</b>		<b>37,052</b>	<b>-</b>	<b>-</b>	<b>37,052</b>
<b>Total as at 31 December</b>	<b>187,534</b>	<b>-14,695</b>	<b>172,838</b>	<b>-10,863</b>	<b>3,826</b>	<b>165,802</b>

## 2. ROYALTIES STILL IN PROGRESS (€ 32.1 MILLION)

The Supervision Act stipulates terms within which rights revenue received must be distributed by at the latest. The distribution period is set at 9 months after the end of the financial year in which the royalty revenues were received. An exception to this is the rights revenue received from other CMOs. This is subject to a period of 6 months after receipt of the rights revenue. In accordance with the Supervision Act, Buma distributes the copyright royalties received to its rights owners within the stipulated periods, with the exception of a number of situations in which this is not possible. These royalties are referred to as royalties still in progress. The underlying reasons for these different royalties still in progress are explained in more detail in the relevant sections.

Royalties still in progress concern royalties for which the distribution process could not yet be completed. This section explains the composition of this category of royalties in more detail.

(x € 1,000)



There can be various reasons why royalties are included in the category 'Royalties still in progress'. This is explained in the sections below.

### As yet unallocatable royalties (€ 22.6 million)

If data is missing or there is uncertainty about the received data, the use of music cannot be allocated to the correct rights owners. This item also includes a reserve for possible subsequent claims. There can be three reasons why music use cannot be allocated to the correct rights owner:

- No detailed data are available about broadcasts or these data are incomplete, which means no or only incomplete information about the musical works used.
- No copyright data is available or this data has not yet been fully processed, which means no active copyright is available that can serve as a basis for the distribution. This data is submitted by the rights owner but is not always correct or complete.
- Assessment of royalties received from abroad. After receiving royalties and the associated use from the sister societies, Buma checks the distribution of these royalties as specified by the sister society. Any anomalies must be examined. The royalties are distributed after the necessary checks have been completed.

### Warsaw rule (€ 1.8 million)

This concerns a reserve that is recognised if some of the rights owners are not fully identifiable. The unidentifiable portion is distributed or reserved depending on origin of the identified rights owners. If the majority of the known rights owners are affiliates of Buma, the unidentified portion is reserved. If the majority of the known rights owners are affiliated with another CMO, the amount is distributed to the relevant CMO. For example, Buma too receives Warsaw funds from other CMOs for as yet unknown rights owners.

### Cable fees from abroad (€ 1.5 million)

This concerns amounts originating from other CMOs that relate to Dutch cable fees for which a distribution is made annually. The accrued cable fees are paid out in the following year.

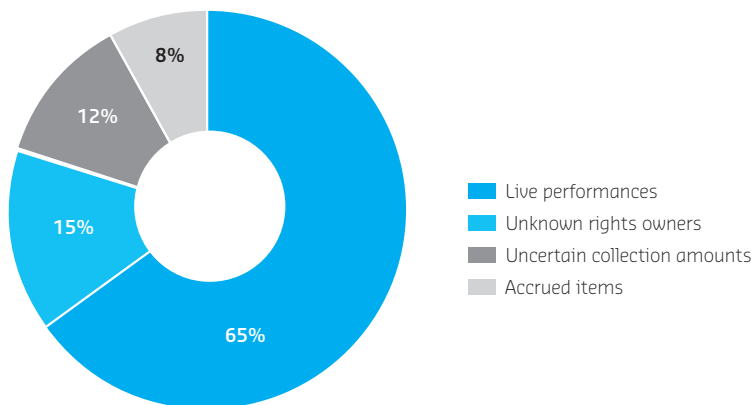
### Contradictory claims (€ 5.8 million)

These amounts relate to copyrights for which the rights owners are still in consultation on how these rights should be distributed.

### 3. ACCRUED IN PREVIOUS YEARS (€ 23.2 MILLION)

In addition to the amounts accrued in the financial year and the royalties still in progress, there are also royalties that cannot yet be distributed due to other reasons. The graph below shows the distribution of these royalties.

#### COMPOSITION OF ROYALTIES ACCRUED IN PREVIOUS YEARS



#### Live performances (€ 15.0 million)

To enable the proper distribution of royalties, not only the collection amounts but also the associated music use needs to be identified. Music use associated with royalties received from Live Performances need to be submitted by the events organisers and rights owners. Buma depends on the organisers and rights owners. This information becomes available in stages. The royalties included in this item relate to music use for which the required information has not yet become available.

#### 'Unknown rights owners' and 'Information still to be verified' respectively (€ 1.9 million)

The royalties recognised under this item concern royalties for which the rights owners to which the royalties must be distributed have not yet been identified, or for which the information submitted by the sister societies is still to be verified. When the rights owners can be identified or the information submitted by sister societies can be processed, these royalties are paid out.

This item partly concerns royalties for which the manual verification process could not be completed in time. It is expected that the processing of these royalties will be completed in 2020, so that they can be distributed.

#### Uncertain collection amounts (€ 2.8 million)

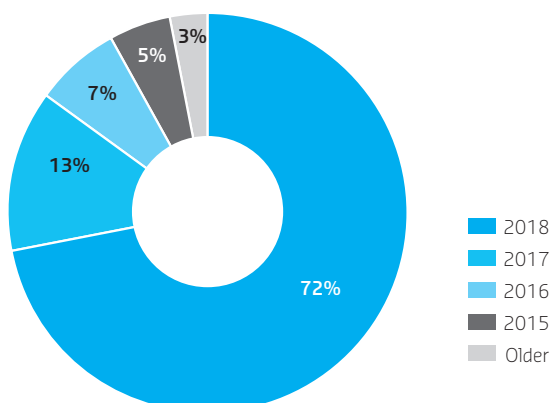
Regarding these amounts, there is uncertainty about the completeness of the collected amounts. As long as there is uncertainty about the completeness of the collection, these royalties are not distributed.

#### Accrued items (€ 3.4 million)

This concerns royalties which became available for distribution late in 2019 and which could therefore not be processed in 2019. Most of these royalties will be distributed in 2020.

### 4. AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED

#### AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED



Distributable copyright royalties by annual tranche:

(x € 1,000)	Total	2019	2018	2017	2016	Older
<b>Accrued in financial year</b>	<b>145,805</b>	<b>145,805</b>	-	-	-	-
<b>Royalties still in progress due to:</b>						
- As yet unallocatable royalties	22,603	-721	10,627	7,548	5,148	
- Warsaw rule	1,776	79	415	456	453	373
- Cable fees from abroad	1,473	-	1,463	3	6	
- Contradictory claims	5,765	45	1,150	1,098	376	3,095
- Other	525	-	525	-	-	-
<b>Accrued in prior financial years *</b>	<b>23,174</b>	<b>-283</b>	<b>12,023</b>	<b>4,772</b>	<b>3,883</b>	<b>2,778</b>
<b>Total as at 31 December</b>	<b>201,121</b>	<b>144,925</b>	<b>26,204</b>	<b>13,879</b>	<b>9,867</b>	<b>6,246</b>

\* The amount in annual tranche 2019 was accrued in 2019. However, the reason why this amount has not yet been distributed relates to prior financial years.

If royalties cannot be distributed upon the first attempt in the year of collection, they are taken to the item Royalties still in progress. Buma has, for a period of three years, the obligation to identify the rightful owner of these royalties and to distribute them. If Buma is unable to do so, these royalties are added to the distribution of the general rights. An exception to this rule applies to contradictory claims.

The reserve for the collection for years prior to 2016 mainly consists of a contradictory claims reserve of € 3.1 million and a number of accrued items.

Some of the royalties accrued in previous years are expected to be distributed in 2020. This depends, however, on the timely submission of data by third parties to Buma.

**(12) OTHER LIABILITIES**

(x EUR 1,000)

	2019	2018
Obligations in respect of social and cultural purposes	11735	11370
Stemra current account	-	1741
Buma members and participants	822	901
Other	496	671
<b>Total as at 31 December</b>	<b>13053</b>	<b>14683</b>

The obligations in respect of socio-cultural purposes are as follows:

(x € 1,000)

	2019	2018
Grant obligations to Stichting Buma Cultuur for 2020 and 2019	3,999	3,983
Grant obligations to Stichting Buma Cultuur payment relating to previous years	254	254
Retirement provisions for composers, music authors and music publishers	6,356	5,816
Surcharge Serious	687	840
Grant obligations to Stichting BREIN for financial year 2020	364	399
Grant obligations to Stichting Sociaal Fonds Buma for financial years 2020 and 2019	75	78
<b>Total as at 31 December</b>	<b>11,735</b>	<b>11,730</b>

**(13) ACCRUALS AND DEFERRED INCOME**

(x EUR 1,000)

	2019	2018
Invoices to be paid	1,177	813
Amounts to be credited		34
Amounts invoiced in advance	846	797
Holiday allowance and annual leave	706	730
Rental payments in coming years	72	34
Other	820	546
<b>Total as at 31 December</b>	<b>3,622</b>	<b>2,954</b>

No amounts with a term of more than one year were included under accruals and deferred income as at 31 December 2019.

**NOTES TO THE OPERATING STATEMENT****(14) INCOME**

	2019	2018
Administration fee withheld upon distribution	4,390	4,426
Administration fee withheld in the year of collection	14,694	18,323
Contributions and registration fees	893	852
Other income	71	33
	<b>20,048</b>	<b>23,634</b>

For information on the administration fee, please refer to section 1.2.3 of the Directors' Report.

**(15) PERSONNEL COSTS**

	2019	2018
Salaries	7,158	7,306
Social security contributions	1,183	1,140
Pension costs	714	1,015
Hiring of temporary personnel	1,150	1,135
Remuneration of the Board	292	269
Reimbursement of travelling expenses	322	342
Other personnel costs	898	1,709
	<b>11,717</b>	<b>12,917</b>
Allocated to third parties	-1,387	-1,329
<b>Total as at 31 December</b>	<b>10,330</b>	<b>11,588</b>

Following a small decline in the average number of FTEs, salaries plus social security costs in 2019 were € 0.1 million lower than in 2018. Pension costs fell by € 0.3 million, mainly because 2018 included a non-recurrent item for the transfer of the PNO Media deposit. Other personnel costs were € 0.9 million higher in 2018 as a result of a number of (expected) non-recurrent severance schemes. In 2019, € 0.1 million non-recurrent costs were incurred for the recruitment and selection of Directors under the Articles of Association. The costs for hiring temporary staff, as well as personnel costs charged on to Stemra, were stable compared to 2018.

The coverage ratio of Pensioenfondsen PNO Media as at 31 December 2019 is 99.5% (31 December 2018: 106.0%).

In 2019, the average number of FTEs fell slightly compared to 2018, despite the engagement of previously outsourced IT support. During the 2019 financial year, the average number of employees converted to FTE was 122.3 (2018: 122.8). As shown in the next table, the workforce can be divided into the following personnel categories. This includes employees who work partially for Stemra, by virtue of which part of the costs are charged on to Stemra.

NUMBER OF FTES	2019	2018
Management and secretariat of the Management	3.1	3.3
Secretariat of the Board	1.8	2.3
Legal Affairs & Lobbying	6.7	6.6
General Affairs	28.4	24.3
Front office	31.6	32.6
Back office	50.7	53.7
<b>Total</b>	<b>122.3</b>	<b>122.8</b>

#### REMUNERATION OF THE MANAGEMENT UNDER THE ARTICLES OF ASSOCIATION, THE SUPERVISORY BOARD (PART OF THE 2018 BOARD) AND THE COUNCIL OF RIGHTS OWNERS (PART OF THE 2018 COUNCIL OF MEMBERS)

Under 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) have been declared applicable by analogy to collective management organisations (CMOs). Vereniging Buma and Stichting Stemra work together in a personal union, as a result of which one work organisation is active under one Management and one Supervisory Board (in 2018 until the transition to the single Board supervisory model) and one Council of Rights Owners (in 2018 until the transition to the single Council of Members supervisory model).

The agreements with Management, the Supervisory Board and the Council of Rights Owners (until 2018 also with the Board and the Council of Members) were entered into jointly by Vereniging Buma and Stichting Stemra. The total remuneration of the senior officials of Vereniging Buma is specified in the tables below in accordance with Section 4.1 of the WNT 2018, where relevant. However, the costs for the Supervisory Board and the Council of Rights Owners (until 2018 also for the Management Board and the Council of Members) are accounted for by Vereniging Buma and by Stichting Stemra in the financial statements at 50% each. The remuneration of the Management under the Articles of Association is included in the financial statements of Vereniging Buma and Stichting Stemra based on 83% / 17% (2018: 90% / 10%). Reference is made to note (16) for a more detailed description of the cost allocation.

## 1. REMUNERATION OF SENIOR OFFICIALS

### 1A. SENIOR MANAGEMENT OFFICIALS WITH AN EMPLOYMENT CONTRACT, AS WELL AS THOSE WHO HAVE SERVED WITHOUT AN EMPLOYMENT CONTRACT FOR 13 MONTHS OR MORE.

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total remuneration plus taxable expense allowance 2019	Post-contract benefits	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
<b>Senior official with an employment contract</b>								
B.H. Kobes	CEO	1 Nov - 31 Dec 100%	29,790	2,632	32,422	32,422	-	-
W.H.L. van Limpt	CEO**	-	-	-	-	-	188,997	189,000

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

\*\* W.H.L. van Limpt left the employment as at per 31/12/2018. He carried out a consultancy assignment in 2019 and the remuneration is accounted for in the table 'Senior Management Officials without employment contract'.

The remuneration per individual for 2019 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
<b>Senior officials without an employment contract</b>						
C.J.J. van Steijn	Acting CEO**	" 1 Oct - 31 Oct 100% "	14,742	16,477	-	-
S.H. van Elsloo	Acting CFO ***	" 1 Jan - 31 Dec 100% "	193,930	194,000	212,672	247,386
W.H.L. van Limpt	Consultancy assignment****	" 1 Jan - 31 Dec 96% "	154,773	185,554	-	-

\* This concerns the total remuneration received from Buma/Stemra; the directors do not have an employment contract.

\*\* The remuneration up to and including September 2019 of C.J.J. van Steijn is included in table 1b.

\*\*\* For comparison purposes, S.H. van Elsloo's total remuneration for 2018 is accounted for in table 1a instead of partly in table 1b.

\*\*\*\* The employment of W.H.L. van Limpt (former CEO) was terminated as of 31/12/2018. He carried out a consultancy assignment in 2019, the remuneration for which is accounted for in the table above. W.H.L. van Limpt's remuneration for 2018 is accounted for in the table 'Senior Management Officials with employment contract'.

The remuneration per individual for 2019 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
L.A.J.M. de Wit	Chairman of the Board	-	-	-	23,891	35,832
H.O. Westbroek	Board member	-	-	-	5,901	17,916
D. van Peursen	Board member	-	-	-	5,901	17,916
A.D.G. Fuimara	Board member	-	-	-	5,902	17,916
R. Meister	Board member	-	-	-	5,902	17,916
A.B. Molema	Vice-chairman of the Board	-	-	-	8,530	17,916
P.L. Perquin	Board member	-	-	-	5,902	17,916
A.A.L. de Raaff	Board member	-	-	-	5,901	17,916
M. Schimmer	Board member	-	-	-	5,901	17,916
M. Swemle	Board member	-	-	-	5,901	17,916
R. van Vliet	Board member	-	-	-	5,901	17,916
J. van der Voet	Board member	-	-	-	5,901	17,916
N.M. Walboomers	Board member	-	-	-	5,893	17,916

\* This concerns the total remuneration received from Buma/Stemra; these directors do not have an employment contract.

#### 1B. SENIOR MANAGEMENT OFFICIALS WHO SERVED WITHOUT AN EMPLOYMENT CONTRACT IN THE CALENDAR MONTHS 1 TO 12

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
<b>Senior officials without an employment contract</b>						
C.J.J. van Steijn	Acting CEO**	" 1 Jan - 30 Sep 100% "	195,228	195,300	55,328	75,900
S.H. van Elsloo	Acting CFO***	-	-	-	-	-

\* This concerns the total remuneration received from Buma/Stemra; these directors do not have an employment contract.

\*\* From 1 Oct 2019, the remuneration of C.J.J. van Steijn is accounted for in table 1a.

\*\*\* The remuneration of S.H. van Elsloo for 2018 and 2019 is accounted for in table 1a.

## 1C. SENIOR SUPERVISORY OFFICIALS

### REMUNERATION OF THE SUPERVISORY BOARD

The remuneration per individual for 2019 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
<b>J. de Zwaan</b>	Chairman of the Supervisory Board	1 Jan - 31 Dec	<b>29,100</b>	29,100	14,025	17,398
<b>A. Fuimara</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	9,766	9,942
<b>R. Meister</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	9,766	9,942
<b>A.B. Molema</b>	Vice-chairman of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	9,766	9,942
<b>M. Swemle</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	9,766	9,942
<b>R. van Vliet</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	9,766	9,942
<b>N.M. Walboomers</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	9,760	9,942
<b>R.J.M. Hopstaken</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	3,314	3,314
<b>J. Messerschmidt</b>	Member of the Supervisory Board	1 Jan - 31 Dec	<b>19,400</b>	19,400	3,314	3,314

\* This concerns the total remuneration received from Buma/Stemra; these members of the Supervisory Board do not have an employment contract.

### REMUNERATION OF THE COUNCIL OF RIGHTS OWNERS

The remuneration per individual for 2019 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
<b>I.M. Chronis</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>7,352</b>	19,400	2,687	9,942
<b>W. Kwakman</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>7,502</b>	19,400	2,687	9,942
<b>M.A. Bremer</b>	Member of the Council of Rights Owners Vice-chairman of the Council of Rights Owners	1 Jan - 2 Jul	<b>7,650</b>	19,400	2,687	9,942
<b>J.M.F. Everling</b>	Member of the Council of Rights Owners	3 Jul - 31 Dec	<b>7,527</b>	19,400	2,687	9,942
<b>D.D. van den Dungen</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>6,627</b>	19,400	2,687	9,942
<b>A. Romeijn</b>	Vice-chairman of the Council of Rights Owners Chairman of the Council of Rights Owners Vice-chairman of the Council of Rights Owners Member of the Council of Rights Owners	1 Jan - 27 Mar 28 Mar - 6 May 7 May - 2 Jul 3 Jul - 31 Dec	<b>7,780</b>	20,463	3,493	9,942
<b>M. Schimmer</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>7,652</b>	19,400	2,687	9,942
<b>M. Krüs</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>6,652</b>	19,400	2,687	9,942
<b>D. van Peursen</b>	Chairman of the Council of Rights Owners Vice-chairman of the Council of Rights Owners Member of the Council of Rights Owners	1 Jan - 27 Mar 28 Mar - 2 Jul 3 Jul - 31 Dec	<b>8,708</b>	21,685	3,841	12,091
<b>K. Vergouwen</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>6,652</b>	19,400	2,687	9,942
<b>R. Zipora</b>	Vice-chairman of the Council of Rights Owners Chairman of the Council of Rights Owners	1 Jan - 6 May 7 May - 31 Dec	<b>10,674</b>	25,751	3,651	9,942
<b>J. van der Voet</b>	Member of the Council of Rights Owners	1 Jan - 31 Dec	<b>6,777</b>	19,400	2,687	12,919

\* This concerns the total remuneration received from Buma/Stemra; these members of the Council of Rights Owners do not have an employment contract.



## REMUNERATION OF THE COUNCIL OF MEMBERS

The remuneration per individual for 2019 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Name	Position	Employed	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
I.M. Chronis	Chairman of the Council of Members	-	-	-	3,935	13,437
W. Kwakman	Vice-chairman and member of the Council of Members	-	-	-	3,196	8,958
M.A. Bremer	Member of the Council of Members	-	-	-	2,459	8,958
J.M.F. Everling	Member of the Council of Members				2,459	8,958
M.T. Felis	Member of the Council of Members	-	-	-	2,459	8,958
T. Kalksma	Member of the Council of Members				2,442	8,958
K. Vergouwen	Member of the Council of Members	-	-	-	2,465	8,958
M. Krüs	Member of the Council of Members				2,459	8,958
B. van de Lisdonk	Member of the Council of Members	-	-	-	2,459	8,958
B.N.A.D. van der Poel	Member of the Council of Members				2,459	8,958
R. Zipora	Member of the Council of Members	-	-	-	2,459	8,958
E. Severs	Member of the Council of Members	-	-	-	2,230	8,130

\* This concerns the total remuneration received from Buma/Stemra; these members of the Council of Rights Owners do not have an employment contract.

## 3. OTHER REPORTING OBLIGATIONS UNDER THE WNT

### 3A. REMUNERATION OF NON-SENIOR OFFICIALS

The titular directors with an employment contract in 2019 (and 2018) do not have a position implying (day-to-day) management of the entire organisation, nor do they have decision-making powers. This means the titular directors did not serve as senior officials in 2019 (and 2018) and their remuneration is therefore disclosed under the category of non-senior officials. With regard to non-senior officials whose remuneration exceeds the WNT maximum, Vereniging Buma and Stichting Stemra have the policy to scale this back in accordance with the statutory transitional scheme until the WNT maximum is no longer exceeded. Severance payments made fall outside the phase-out scheme and are accounted for in the remuneration.

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in €)\*:

Position	Employed	Total remuneration plus taxable expense allowance 2019	Post-contract benefits	Total WNT remuneration 2019	WNT maximum 2019	Total WNT remuneration 2018	WNT maximum 2018
<b>Non-senior officials</b>							
Titular Director**	1 Jan - 31 Dec 100%	372,714	16,450	389,164	194,000	281,202	189,000
Titular Director	1 Jan - 31 Dec 100%	194,331	22,034	216,365	194,000	223,820	189,000

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

\*\* The remuneration partially includes severance payment. In 2020, the last part of the severance payment will be paid and accounted for.

<b>OTHER EXPENSES (16)</b>	<b>2019</b>	<b>2018</b>
Service agencies	4,021	3,882
Outsourcing	3,810	4,826
Advisory fees	1,067	954
Other IT costs	468	1,591
Lease & maintenance of IT equipment	1,276	1,242
Commercial expenses	189	192
Office supplies	118	132
Other expenses	710	738
	<b>11,659</b>	<b>13,557</b>
Charged-on general costs	-2,487	-1,498
<b>Total</b>	<b>9,172</b>	<b>12,059</b>

A total of € 2.1 million in the fall in other costs is accounted for by lower costs for outsourcing and IT. This decrease is largely related to the reduction in outsourcing, while the average number of new FTEs in 2019 has fallen to 25.3 (2018: 26.5) and to the engagement of part of IT support previously outsourced.

The costs charged on by Buma in 2019 to Stemra and other parties further increased by € 1.0 million. The outcome of the cost allocation model developed in 2019 leads to a distribution between Buma and Stemra of 83% / 17%. This takes into account that the costs for the Supervisory Board and the Council of Rights Owners will be distributed 50% / 50%, like in 2018. In the period 2016 - 2018, the other joint costs were distributed 90% / 10% on the basis of a board resolution: in 2018, this resulted in an 89% / 11% distribution of total management costs.

No costs have been incurred for research and development (R&D).

#### **(17) TAXES**

In an advance tax ruling extended until 31/12/2019, the Dutch Tax and Customs Administration has determined that Buma is subject to corporation tax. Deductible foreign withholding taxes and Dutch dividend tax may be deducted up to a maximum equal to the amount of tax due under this advance tax ruling. Consequently, no corporation tax is due for the financial year 2019. Buma is in discussions with the Tax and Customs Administration about the entities' tax qualification from 2020 onward.

## **OTHER DISCLOSURES**

#### **(18) FINANCIAL INSTRUMENTS**

Buma's most important financial instruments concern securities (63% of the balance sheet total; 2018 consolidated figures with BBF: 67%). Securities are used for the performance of the investment policy, through which royalties that cannot yet be distributed to rights owners are invested. Securities are stated 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.

The other financial instruments included in the assets are receivables and cash and cash equivalents (34% of the balance sheet total; 2018 consolidated figures with BBF: 30%), which are valued at amortised cost and nominal value respectively. Receivables are generally non-interest-bearing. In 2019, the impact of a negative interest rate on cash and cash equivalents is limited.

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 88% of the balance sheet total (2018: 88%). The main component of this are the copyright royalties to be distributed, which account for 78% (2018: 80%). These are measured at cost. The 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.

## (19) RELATED PARTIES

The following parties are considered to be related parties of Vereniging Buma: Stichting Stemra, Stichting Buma Cultuur, Stichting Sociaal Fonds Buma, Stichting Service Centrum Auteurs- en Naburige rechten (SCAN) and the Management under the Articles of Association, Supervisory Board members and the Council of Rights Owners and the Management Board of Vereniging Buma and Stichting Stemra. For more information about remuneration of the Management under the Articles of Association, Supervisory Board members and members of the Council of Rights Owners, reference is made to the relevant notes in the corresponding section. Normal transactions relating to the administration of copyrights involving Supervisory Board members or members of the Council of Rights Owners, or involving related parties of Supervisory Board members or members of the Council of Rights Owners, are not explicitly disclosed in the financial statements.

Any distributions of copyright royalties to Supervisory Board members and members of the Council of Rights Owners, or to related parties of Supervisory Board members or members of the Council of Rights Owners, have been calculated in the same manner as the distributions to all members and have been paid out in accordance with Buma's normal procedures. Due to the close relationships within the sector, Supervisory Board members and members of the Council of Rights Owners 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 reasons of transparency, the copyright royalties distributed to members of the Supervisory Board and their companies must be made public.

### THE COPYRIGHT ROYALTIES RECEIVED FALL INTO THE FOLLOWING CATEGORIES:

No distribution	A
Between € 0 and € 15,000	B
Between € 15,000 and € 50,000	C
Between € 50,000 and € 100,000	D
Between € 100,000 and € 500,000	E
More than € 500,000	F

The Supervisory Board members and the Management Board members have the following financial interests:

NAME	POSITION	BUMA
Josephine de Zwaan	Chairman of the Supervisory Board	A
Anthony Fiumara	Member of the Supervisory Board	B
Ruud Hopstaken	Member of the Supervisory Board	A
René Meister	Member of the Supervisory Board	B
Jolanda Messerschmidt	Member of the Supervisory Board	A
Arriën Molema	Member of the Supervisory Board	B
Marc Swemle	Member of the Supervisory Board	E
Raymond van Vliet	Member of the Supervisory Board	A
Niels Walboomers	Member of the Supervisory Board	B
Bernard Kobes	Director	A
Siebe van Elsloo	Director	A
Cees van Steijn	Director	A

## CHARGE-ON TO RELATED PARTIES

For the achievement of their objectives, funds are made available to both Stichting Buma Cultuur and Stichting Sociaal Fonds Buma 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 SCAN for personnel, accommodation and overheads. Charge-on is based on cost. In addition, SCAN charges € 2.1 million (2018: € 2.0 million) to Buma for the performance of its tasks. SCAN is responsible for part of the invoicing and collection on behalf of Buma and Stichting ter Exploitatie van Naburige Rechten. The table below provides an overview of the costs charged on by Buma.

The charged-on costs amount to:

(x € 1,000)	2019	2018
Stichting Stemra	3,278	2,000
Stichting Buma Cultuur	99	106
Stichting Sociaal Fonds Buma	32	49
SCAN	318	340
<b>Total</b>	<b>3,727</b>	<b>2,495</b>

## (20) OFF-BALANCE SHEET ASSETS AND LIABILITIES

Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Management Board, one Council of Rights Owners and one Supervisory Board. Off-balance sheet assets and liabilities in connection with the outsourcing, coffee machines and plants have been entered into by Buma and Stemra jointly and are recognised in full by both Vereniging Buma and Stichting Stemra. The allocation of costs between Buma and Stemra for each liability is specified in the notes. The rental and lease obligations have been entered into by Buma; costs are subsequently charged on to Stemra. The amount of the charge-on is disclosed in the notes as an off-balance sheet asset.

### Long-term rights

As at 31 December, the off-balance sheet assets had the following terms:

(x € 1,000)	2019	2018
Less than 1 year	249	56
Between 1 and 5 years	570	211
Longer than 5 years	238	225
<b>Total as at 31 December</b>	<b>1,057</b>	<b>492</b>

### Long-term liabilities

As at 31 December, the off-balance sheet liabilities had the following terms:

(x € 1,000)	2019	2018
<b>Joint contracts with Stichting Stemra</b>		
Less than 1 year	1,415	1,617
Between 1 and 5 years	46	158
Longer than 5 years	-	-
	<b>1,461</b>	<b>1,775</b>
<b>Contracts entered into independently</b>		
Less than 1 year	784	565
Between 1 and 5 years	3,352	2,106
Longer than 5 years	1,402	2,254
	<b>5,537</b>	<b>4,925</b>
<b>Total as at 31 December</b>	<b>6,999</b>	<b>6,700</b>

The long-term liabilities in the table above concern lease costs, rental costs and costs for outsourcing activities.

## Leasing and software

The operational lease costs for printers, lease cars and software have been assumed by Buma and will be divided between Buma and Stemra (in 2019: 83% / 17%). The costs are recognised over the lease period in the operating statement using the straight-line method. The obligation for less than one year is € 0.2 million (2018: € 0.2 million) and the obligations between one and five years are € 0.2 million (2018: € 0.1 million).

## Rent

As of 1 January 2018, a financial liability has been assumed for a period of ten years. The rental obligation has been entered into by Buma. The (annual) rental obligation is divided between Buma and Stemra (in 2019: 83% / 17%). The total rental obligation for the remaining term of the contract amounts to € 5.2 million (2018: € 4.7 million).

## Outsourcing of activities – ICE Copyright

Vereniging Buma and Stichting Stemra have jointly entered into the obligation to outsource their musical works database to ICE for an initial period of five years (as from March 2015) and extended by one year. The remaining financial liability resulting from this amounts to € 0.7 million (2018: € 0.7 million). The costs of ICE are divided between Buma and Stemra (in 2019: 83% / 17%).

## Outsourcing of activities – ICE Online

Vereniging Buma and Stichting Stemra have jointly entered into the obligation to outsource the processing of online music use to ICE for a period of five years (as from March 2015). The remaining financial liability resulting from this amounts to less than € 0.1 million (2018: € 0.2 million). The intention is to extend the expiring contract by two years. These costs divided between Buma and Stemra (in 2019: 83% / 17%).

## Accenture

Vereniging Buma and Stichting Stemra have jointly entered into the contractual obligation to outsource part of the back-office activities to Accenture until the end of December 2020. The remaining financial liability resulting from this amounts to € 0.6 million (2018: € 0.9 million, in addition to an amount paid in advance included on the balance sheet). These costs divided between Buma and Stemra (in 2019: 83% / 17%).

## 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 SCAN up to a maximum of € 1.0 million.

## Claims

A number of claims have been lodged against Vereniging Buma which it disputes, as well as a number of claims for which an outflow of funds is expected. A provision has been recognised for the claims for which an outflow of cash is expected that can be estimated 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 presented financial position of Buma.

## (21) SUBSEQUENT EVENTS

Starting early March 2020, the Dutch government has taken measures to control the spread of the coronavirus. The consequences of the coronavirus outbreak are classified as events after the balance sheet date (subsequent events), which do not provide further information about the actual situation as at the balance sheet date. This means that the financial consequences have not been recognised in the 2019 financial statements.

The pandemic and government measures have far-reaching consequences for the global economy and that of the Netherlands and therefore also affect Buma. As of mid-March, restaurants and bars had been closed, (music) events cancelled, some of the shops and offices had been closed and fewer commercials were broadcast via radio and television. This has a major impact on Buma's income. The measures will be relaxed in the beginning of June, which will go some way to curbing that decline from then on. Nevertheless, a significant fall in income is projected for 2020.

In 2020, partly as a result of the corona crisis, Buma took measures to accelerate the distribution of copyright royalties. This is a positive development for our rights owners. The reduction in fees collected in 2020, in combination with this acceleration in distribution, has had a negative effect on Buma's liquidity position. However, the various scenarios we have set out do not point to an impending liquidity deficit. Measures have been taken by Buma to save as many costs as possible and an application has been made for a contribution towards wage costs under the Temporary Emergency Bridging Measure to Preserve Employment (NOW scheme).

It is currently impossible to estimate the long-term impact of the corona crisis. The reasons for this are the high degree of uncertainty about the further spread of the coronavirus, the nature, scope and effectiveness of government measures and the large-scale availability or unavailability of a vaccine or medicines.

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#### **SUPERVISORY BOARD**

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Josephine de Zwaan	Chairman
Anthony Fiumara	Member of the Supervisory Board
Ruud Hopstaken	Member of the Supervisory Board
Jolanda Messerschmidt	Member of the Supervisory Board
René Meister	Member of the Supervisory Board
Arriën Molema	Member of the Supervisory Board
Marc Swemle	Member of the Supervisory Board
Raymond van Vliet	Member of the Supervisory Board
Niels Walboomers	Member of the Supervisory Board

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#### **BOARD**

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Bernard Kobes	Chief Executive Officer
Siebe van Elsloo	Acting Chief Financial Officer

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## —6. OTHER **INFORMATION**

# INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Vereniging Buma

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
2019 INCLUDED IN THE ANNUAL REPORT

## OUR OPINION

We have audited the financial statements 2019 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 2019, and of its result for 2019 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 2019;
2. the operating statement for 2019; 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 Supervision Act. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## COMPLIANCE WITH ANTI-CUMULATION PROVISION OF WNT HAS NOT BEEN AUDITED

With regard to the provisions in Section 25a of the Supervision Act, our audit did not include a review of whether any senior management official exceeded remuneration standards due to being employed at another institution which is subject to the Standards for Remuneration Act (WNT), nor did we review the accuracy and completeness of the disclosures required in this respect.

## EMPHASIS OF MATTER: ASSESSING THE IMPACT OF THE CORONA CRISIS

We draw attention to the section "Events after the reporting period" in the notes to the financial statements where management describes its assessment of the effects of the Corona Crisis on the Vereniging.

Our opinion is not modified in respect of this matter.

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

With regard to the provisions in Section 25a of the Supervision Act, our audit did not include a review of whether any senior management official exceeded remuneration standards due to being employed at another institution which is subject to the Standards for Remuneration Act (WNT), nor did we review the accuracy and completeness of the disclosures required in this respect.

## 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:

- key figures Buma;
- board report;
- supervisory board report;
- approval on the financial statements;
- other information.

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;
- contains the information as required by sections 2b through to 3.d.4 of the 'Besluit transparantieverslag richtlijn collectief beheer'.

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 substantially 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 supervisory board report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, sections



2b through to till 3.d.4 of the 'Besluit transparantieverlag richtlijn collectief beheer' and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

### RESPONSIBILITIES OF THE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

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 fraud or error.

As part of the preparation of the financial statements, the board is responsible for assessing the association's ability to continue as a going concern. Based on the financial reporting framework 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 association's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

### OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error 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 these 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 among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, 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 error, 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;
- concluding on the appropriateness of the board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an organization to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items

We communicate with the supervisory board 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.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

Rotterdam, 5 August 2020

MAZARS N.V.

Signed on the original drs S. Boomman RA

# —APPENDICES

# 1. REFERENCE TABLE TRANSPARENCY REPORT

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<b>Section 2</b>			
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2b	Information about refusals to grant a licence on the basis of Article 21(3) of the Supervision Act;		21
2c	A description of the legal and governance structure of the collective management organisation;	Explanation by the Board	35
2d	Information on entities directly or indirectly owned or controlled, wholly or in part, by the collective management organisation;	Notes to the financial statements	35
2e	Information on the total amount of remuneration paid in the past financial year to the persons referred to in Section 2e(3) and Section 2f of the Supervision Act, and on other benefits granted to them;	Notes to the financial statements, Remuneration of the Board, Council of Members and Management	54-57
2f	The financial data referred to in Section 3 of the Transparency Report (Collective Rights Management Directive) Decree	See Section 3	
2g	A special report on the use of amounts withheld for the purposes of social, cultural and educational services, including the information referred to in Section 3 of the aforementioned Decree	See Section 3	
<b>Section 3</b>			
3a	Financial information on rights revenue per category of rights managed and per type of use, including information on the income arising from the investment of rights revenue and the use of this income;	Operating statement, coverage of the management costs, notes to the financial statements	11-15, 33
3b	Financial information on the costs of rights management and other services provided to rights owners by the collective management organisation, including a full description of at least the following items:		
	1. All operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs;	Operating statement, coverage of the management costs, notes to the financial statements	11-15, 33
	2. Operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs, to the extent that these costs relate to the rights management, including the management costs which were deducted from or offset against rights revenue or income arising from the investment of rights revenue in accordance with Section 2g(4) and Section 2h(1-3) of the Supervision Act;	Operating statement, coverage of the management costs, notes to the financial statements	11-15, 33
	3. Operating costs and financial costs for services other than rights management, including social, cultural and educational services;	Notes to the financial statements	44-46
	4. Funds used to cover costs;	Coverage of the management costs	13-14
	5. Amounts that were withheld from rights revenue, with a breakdown per category of rights managed and per type of use, and the purpose of the withholding;	Notes to the financial statements, coverage of the management costs	13-14
	6. The percentages which the costs of the rights management and other services provided by the collective management organisation to rights owners represent compared to the rights revenue in the relevant financial year, per category of rights managed, and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs;	Key figures of Buma	3-5
3c	Financial information on the amounts due to rights owners with a full description of at least the following items:		
	1. The total amount attributed to rights owners, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements, copyright royalties to be distributed	46-52
	2. The total amount paid to rights owners, with a breakdown per category of rights managed and per type of use;	Key figures of Buma	3-5
	3. The frequency of the payments, with a breakdown per category of rights managed and per type of use;		21
	4. The total amount collected but not yet allocated to rights owners, with a breakdown per category of rights managed and per type of use, and indicating in which the financial year these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	46-52
	5. The total amount allocated to but not yet distributed among rights owners, with a breakdown per category of rights managed and per type of use, and specification of the financial year in which these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	46-52

Section	Description	Part of the annual report	Page number
	6.If a collective management organisation has not carried out the distribution and payment within the period laid down in Section 2i(3) of the Supervision Act: the reasons for the delay;	Notes to the financial statements, copyright royalties to be distributed	46-52
	7.The total balance of undistributed amounts, with an explanation of the use of these amounts;	Notes to the financial statements, copyright royalties to be distributed	46-52
3d	Information on the financial relationship with other collective management organisations, with a description of at least the following items:		
	1. Amounts received from other collective management organisations and amounts paid to other collective management organisations, with a breakdown per category of rights managed, per type of use and per organisation;	Key figures of Buma	3-5
	2. Management costs and other withholdings from the rights revenue due to other collective management organisations, with a breakdown per category of rights, per type of use and per organisation;	Key figures of Buma	3-5
	3. Management costs and other withholdings from the rights revenue paid by other collective management organisations, with a breakdown per category of rights and per organisation;	Key figures of Buma	3-5
	4. Amounts distributed directly to rights owners originating from other collective management organisations, with a breakdown per category of rights and per organisation.	Key figures of Buma	3-5
<b>Section 4</b>			
4a	The amounts withheld in the financial year for the purposes of social, cultural and educational services, with a breakdown per type of purpose and, for each type of purpose, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements	49
4b	An explanation of the use of those amounts, with a breakdown per type of purpose including the costs of managing amounts withheld to fund social, cultural and educational services and of the separate amounts used for social, cultural and educational services.	Notes to the financial statements	49

## 2. MEETINGS OF THE SUPERVISORY BOARD, COMMITTEES AND COUNCIL OF RIGHTS OWNERS

### 2.1 SUPERVISORY BOARD MEETING DATES, ITEMS DISCUSSED AND RESOLUTIONS

#### Overview of resolutions for the 2019 annual report

Date	Body	Topics	Decision-making
11 February	Supervisory Board	<ul style="list-style-type: none"> <li>- annual calendar 2019 Supervisory Board</li> <li>- CvTA: proposal model progress report</li> <li>- State of affairs outsourcing India</li> <li>- Provisional figures 2018</li> <li>- Proposal policy reserves</li> <li>- Planning recruitment and selection CEO and CFO</li> <li>- Update stakeholders</li> </ul>	None
8 April	Supervisory Board	<ul style="list-style-type: none"> <li>- CvTA: various documents</li> <li>- Reflection strategy afternoon 5 April 2019</li> <li>- Strategic agenda and progress</li> <li>- Preparation GMM 12 June 2019</li> <li>- Supervisory Board regulations</li> <li>- Amendment to the articles of association</li> <li>- Final planning for recruitment and selection of new permanent directors (CEO and CFO)</li> <li>- Supervisory Board retirement schedule</li> <li>- Supervisory Board remuneration proposal 2019</li> <li>- Update stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Annual calendar 2019 of the Supervisory Board</li> <li>- Audit Committee regulations</li> <li>- Amendments to the voting rights of the Supervisory Board chairman and correction of omission in the Articles of Association</li> <li>- Amendment to the Articles of Association of Buma and Stemra joint powers in the Management Board</li> <li>- Voice: working document Governance code</li> <li>- Final planning of recruitment and selection of new (permanent) directors</li> <li>- Remuneration proposal Supervisory Board 2019</li> <li>- Supervisory Board regulations (e-mail resolution 29 April 2019)</li> </ul>
22 August	Supervisory Board	<ul style="list-style-type: none"> <li>- Feedback process, motivation and decision-making candidates recruitment and selection of new CEO</li> <li>- Proposal for recommendation of candidate to the BAC committee and formulation of consultancy assignment</li> </ul>	<ul style="list-style-type: none"> <li>- Intended decision regarding recommendation of new CEO to GMM on 30 October 2019 for appointment with effect from 1 November 2019</li> </ul>
23 May	Supervisory Board	<ul style="list-style-type: none"> <li>- 2018 annual report of Vereniging Buma and Stichting Stemra</li> <li>- Compensation non-recurrent costs 2017/2018</li> <li>- Selection of Fiduciary Manager</li> <li>- Progress and planning ABC cost accounting</li> <li>- Evaluation of organisational structure</li> <li>- GMM 12 June 2019: agenda and final notice of meeting</li> <li>- Council of Rights Owners regulations</li> <li>- Update stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- 2018 annual report of Vereniging Buma and Stichting Stemra</li> <li>- Compensation for non-recurrent costs 2017/2018</li> <li>- Selection of Fiduciary Manager</li> <li>- Agenda and final notice convening GMM on 12 June 2019</li> <li>- Recommendation extension acting CEO and acting CFO- Council of Rights Owners regulations</li> <li>- Supervisory Board retirement schedule</li> </ul>
20 June	Supervisory Board	<ul style="list-style-type: none"> <li>- Evaluation GMM of 12 June 2019</li> <li>- Benchmarking within the framework of Voice working group</li> <li>- Strategic agenda and progress</li> <li>- Management Board regulations version 13 June 2019</li> <li>- State of affairs recruitment and selection of new CEO</li> <li>- Profile of CEO and CFO</li> <li>- Planning self-evaluation Supervisory Board and training of Supervisory Board/Council of Rights Owners/Management Board/Works Council</li> <li>- Update stakeholders</li> <li>- Works Council: request for advice appointment of acting CEO and acting CFO</li> <li>- Works Council: request for advice 2018 governance</li> <li>- Update stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Management Board regulations, version 13 June 2019</li> <li>- Profile CEO and CFO</li> <li>- Date, location and agenda of GMM in Autumn 2019 and role of the Council of Rights Owners</li> </ul>
22 August	Supervisory Board	Discuss candidates new CEO.	
13 September	Supervisory Board	<ul style="list-style-type: none"> <li>- Request for advice and Advice from the Works Council and the Council of Rights Owners regarding CEO</li> <li>- Recommendation of new CEO to GMM with effect from 1 November as CEO/Director under the Articles of Association</li> </ul>	<ul style="list-style-type: none"> <li>- Final decision recommendation of new CEO to GMM on 30 October 2019 for appointment with effect from 1 November 2019</li> </ul>
23 September	Supervisory Board	<ul style="list-style-type: none"> <li>- Monthly report August incl. full year forecast</li> <li>- Evaluation of cost allocation 90/10</li> <li>- Strategic course: general and ICT</li> <li>- Developments in legislation and regulations</li> <li>- Annual planning Supervisory Board 2020</li> <li>- Proposal training (4 Boards/Councils) and self-evaluation Supervisory Board</li> <li>- Adjustment of Management Board regulations</li> <li>- Update stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Transfer of the investment portfolio and transfer of asset management</li> <li>- Evaluation of cost allocation 90/10</li> <li>- ICT strategy and replacement of AX</li> <li>- Annual planning Supervisory Board 2020</li> <li>- Adjustment of Management Board regulations</li> <li>- notice convening GMM on 30 October 2019 and general agenda</li> </ul>

Date	Body	Topics	Decision-making
4 November	Supervisory Board	<ul style="list-style-type: none"> <li>- Evaluation GMM of 30 October 2019</li> <li>- Update IT</li> <li>- Monthly report September 2019</li> <li>- Analysis September figures with regard to payments / distribution</li> <li>- Update member portal</li> <li>- Normative return</li> <li>- Vacancy Director Licensees</li> <li>- Extension appointment acting CFO- Profile CFO</li> <li>- Update and planning recruitment and selection of CFO</li> <li>- Onboarding programme new CEO</li> <li>- Job-related compensation</li> <li>- Expenses schemes</li> <li>- Update stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Normative return</li> <li>- Extension of appointment acting CFO- Update and planning recruitment and selection of new CFO</li> <li>- Onboarding programme new CEO</li> <li>- Self-evaluation Supervisory Board</li> <li>- Planning 24.1 meetings in 2020</li> </ul>
9 December	Supervisory Board	<ul style="list-style-type: none"> <li>- Feedback first impression new CEO</li> <li>- Budget 2020</li> <li>- Investment plan 2020</li> <li>- Update member portal</li> <li>- Analysis Online</li> <li>- Multi-territorial licensing</li> <li>- BAC regulations</li> <li>- Update stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Budget 2020</li> <li>- Investment plan 2020</li> <li>- BAC regulations</li> </ul>

## 2.2 AUDIT COMMITTEE MEETING DATES, ITEMS DISCUSSED AND RESOLUTIONS

### Overview of resolutions for the 2019 annual report

Date	Body	Topics	Decision-making
5 February	Audit Committee	<ul style="list-style-type: none"> <li>- Monthly report December 2018</li> <li>- Provisional figures 2018 and status of the 2018 financial statements</li> <li>- Investments</li> <li>- Proposal policy reserves</li> <li>- Evaluation quality Finance</li> <li>- Audit plan 2019</li> <li>- Advanced tax ruling Dutch Tax and Customs Administration</li> <li>- IT</li> </ul>	None.
14 March	Audit Committee	<ul style="list-style-type: none"> <li>- Draft management letters Buma and Stemra</li> <li>- Letter CvTA regarding findings annual report 2017</li> <li>- Annual planner 2019</li> <li>- Policy on insurance</li> <li>- Monthly report February 2019</li> <li>- Concept annual report 2018</li> <li>- Audit committee regulations</li> <li>- Internal audit activity charter</li> </ul>	- The draft management letters Buma and Stemra are presented to the Supervisory Board with a positive recommendation from the Audit Committee.
9 May	Audit Committee	<ul style="list-style-type: none"> <li>- Annual report Buma and Stemra 2018</li> <li>- Compensation for non-recurrent costs costs 2017/2018</li> <li>- Selection of Fiduciary Manager</li> <li>- Progress and planning ABC cost accounting</li> <li>- Monthly report March 2019</li> </ul>	<ul style="list-style-type: none"> <li>- The Buma annual report, the Buma audit report, the Stemra annual report and the Stemra audit report are submitted to the Supervisory Board with a positive recommendation from the Audit Committee.</li> <li>- The selection proposal for a Fiduciary Manager is submitted to the Supervisory Board with a positive recommendation from the Audit Committee.</li> </ul>
9 September	Audit Committee	<ul style="list-style-type: none"> <li>- Monthly report July 2019</li> <li>- Action plan replacement of AX</li> <li>- Transfer of investment portfolio and transfer of asset management</li> <li>- Evaluation of 90/10 cost allocation</li> <li>- GMM of 30 October 2019: agenda and 1st notice of meeting</li> <li>- Extension of Accenture contract</li> </ul>	None
15 October	Audit Committee	<ul style="list-style-type: none"> <li>- Normative return</li> <li>- Follow-up IT document or recommendations from the Supervisory Board</li> <li>- The portal journey</li> <li>- Table of contents financial strategy</li> <li>- Agreement ABN-AMRO MeesPierson</li> <li>- Monthly report September 2019</li> </ul>	None

## 2.3 REMUNERATION COMMITTEE MEETING DATES, ITEMS DISCUSSED AND RESOLUTIONS

### Overview of resolutions for the 2019 annual report

21 March	Remuneration Committee	<ul style="list-style-type: none"> <li>- Recruitment and selection of new directors</li> <li>- Supervisory Board retirement schedule</li> <li>- Supervisory Board remuneration proposal 2019</li> <li>- Extension acting CFO contract</li> </ul>	<ul style="list-style-type: none"> <li>- The 2019 remuneration proposal is submitted to the Supervisory Board with a positive recommendation from the Remuneration Committee.</li> <li>- The contract of the acting CFO has been extended with positive recommendation from the Audit Committee.</li> </ul>
13 June	Remuneration Committee	<ul style="list-style-type: none"> <li>- Recruitment and selection of new directors</li> <li>- Self-evaluation Supervisory Board</li> <li>- Training of 4 Boards/Councils</li> <li>- Management Board regulations</li> <li>- Planning meetings for the latter part of 2019</li> </ul>	<ul style="list-style-type: none"> <li>- The Remuneration Committee decides to issue the Supervisory Board with a positive recommendation with regard to the Managements Board regulations.</li> </ul>
9 September	Remuneration Committee	<ul style="list-style-type: none"> <li>- Recruitment and selection of new directors</li> <li>- Training proposal (autumn 2019)</li> <li>- Annual planning Remuneration Committee 2020</li> <li>- GMM 30 October 2019: agenda and 1st notice of meeting</li> <li>- Preparation of self-evaluation Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>- Training proposal will be forwarded to the other Boards/Councils.</li> </ul>
21 October	Remuneration Committee	<ul style="list-style-type: none"> <li>- Renewal contract for services current acting CEO and current acting CFO</li> <li>- State of affairs of the new CEO</li> <li>- Recruitment and selection of new CFO</li> <li>- Self-evaluation Supervisory Board</li> <li>- Training of 4 Boards/Councils</li> <li>- Expenses scheme</li> </ul>	<ul style="list-style-type: none"> <li>- The renewal of the contract for services with the current acting CEO and the current CFO will be submitted to the Supervisory Board with a positive recommendation from the Remuneration Committee.</li> <li>- The onboarding programme is submitted to the Supervisory Board with a positive recommendation from the Remuneration Committee.</li> <li>- The Remuneration Committee will issue a positive recommendation to the Supervisory Board regarding the proposal for self-evaluation of the Supervisory Board.</li> </ul>
18 November	Remuneration Committee	<ul style="list-style-type: none"> <li>- BAC regulations</li> <li>- Recruitment and selection of CFO (update)</li> <li>- Progress self-evaluation Supervisory Board (update)</li> </ul>	

## 2.4 COUNCIL OF RIGHTS OWNERS MEETING DATES, ITEMS DISCUSSED AND RECOMMENDATIONS MADE

### Overview of resolutions for the 2019 annual report

Date	Topics	Advisory
6 February 2019	Financial reporting Q4 2018 Budget 2019 Buma Cultuur Complaints Millward Brown Copyright Directive Feedback Distribution Committee	
27 March 2019	Monthly report February 2019 Provisional figures 2018 Feedback Distribution Committee Developments in RTV Market segment Structure of the Council of Rights Owners regulations / Management Board regulations and non-disclosure agreement Addition to professional associations 2019 Preparation of General Members' Meeting 2019	Requested advice issued to the Management Board in preparation of the General Members' Meeting of 12 June 2019
6 May 2019	Annual report 2018 Monthly report March 2019 Preparation of General Members' Meeting 2019 Amendments to the Articles of Association Council of Rights Owners regulations Changes to the Distribution Rules Election of Chairman Feedback Distribution Committee	Requested advice issued to the Management Board regarding the 2018 Annual Reports of Vereniging Buma and Stichting Stemra Requested advice issued to the Management Board regarding amendments to the Articles of Association Requested advice issued to the Management Board regarding mechanical background music Requested advice issued to the Management Board regarding the acceleration of payments for music use at Live Performances from 2020 Requested advice issued to the Management Board regarding ballet music

Date	Topics	Advisory
3 July 2019	<p>Election of Vice-chairman</p> <p>Evaluation of GMM 2019 and preliminary discussion GMM autumn 2019</p> <p>Appointment of members of Council of Rights Owners in BAC in connection with appointment of new CEO</p> <p>SoCu</p> <p>Representation of interest</p> <p>State of affairs Online</p> <p>Monthly report May 2019</p> <p>Addition to professional associations</p> <p>Remuneration of members of the Council of Rights Owners</p> <p>Budget Council of Rights Owners</p>	<p>Requested advice issued to the Management Board regarding the Online Process working group</p>
5 September 2019	<p>Proposal self-evaluation Council of Rights Owners</p> <p>Cultural Funds Commission</p> <p>Addition to professional associations</p> <p>Feedback Distribution Committee</p> <p>Annual calendar of the Council of Rights Owners 2020</p> <p>So from SoCu</p> <p>Request for advice CEO candidate</p>	<p>Requested advice issued to the Management Board regarding the distribution of Private Copying royalties</p> <p>Requested advice issued to the Management Board regarding Carillon music</p> <p>Requested advice issued to the Supervisory Board regarding the recommendation of the new CEO</p>
25 September 2019	<p>Adjustment of Council of Rights Owners regulations</p> <p>Feedback Distribution Committee</p> <p>Experiences new member portal</p> <p>So from SoCu</p> <p>State of affairs Online working group</p> <p>Strategic course</p> <p>Remuneration of members of the Council of Rights Owners</p>	
27 November 2019	<p>Budget 2020</p> <p>Feedback Distribution Committee</p> <p>So from SoCu</p> <p>Appointment of Council of Rights Owners committee in connection with preparation GMM 2020</p> <p>Update Music Use Abroad</p>	<p>Requested advice issued to the Management Board regarding the distribution of Folk music</p> <p>Requested advice issued to the Management Board regarding the distribution frequency for Live Performances (including non-recurrent cost allocation)</p> <p>Requested advice issued to the Management Board regarding cable fees radio</p>



### 3. OTHER POSITIONS OF THE SUPERVISORY BOARD, COUNCIL OF RIGHTS OWNERS AND BOARD

#### OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE SUPERVISORY BOARD

<b>Ms Josephine de Zwaan</b>	Paid	Chairman of the Supervisory Board of Fairphone BV	1 Jan - 31 Dec
		Chairman of the Supervisory Board of Stichting Cito	1 Jan - 31 Dec
		Chairman of the Board of Stichting Administratiekantoor Aandelen Triodos Bank NV	1 Jan - 31 Dec
		Vice-chairman of the Supervisory Board of Hogeschool Leiden	1 Jan - 1 Sep
		Vice-chairman of the Supervisory Board of Stichting Vilans	
	Unpaid	Board member of Stichting Academeia	1 Jan - 31 Dec
		Chairman of the Board of Stichting Register Code Sociale Ondernemingen	1 Jan - 31 Dec
<b>Mr Anthony Fiumara</b>	Paid	Composer	1 Jan - 31 Dec
		Lecturer of Composition at Fontys School of the Arts in Tilburg	1 Jan - 31 Dec
		Music journalist	1 Jan - 31 Dec
		Partner at De Merckcultuur	1 Jan - 31 Dec
		Board Member of Stichting BREIN	1 Jan - 31 Dec
	Unpaid	Board member of Stichting Temko	1 Jan - 31 Dec
		Board member of Amstel Music Award	1 Jan - 31 Dec
		Board member of Stichting AskolSchönberg	1 Jan - 31 Dec
		Board member of Stichting Nieuw Geneco	1 Jan - 31 Dec
<b>Mr Ruud Hopstaken</b>	Paid	Supervisory Board member of Central Agency for Reception of Asylum Seekers (COA)	1 Jan - 31 Dec
		Supervisory Board member of Arthrogon BV	1 Jan - 25 Nov
	Unpaid		1 Jan - 31 Dec
		Supervisory Board member of PharmAccess Group Amsterdam Treasurer of Stichting JDRF	1 Jan - 30 Jun
<b>Mr René Meister</b>	Paid	Composer / Arranger	1 Jan - 31 Dec
		Founder of BEAR project	1 Jan - 31 Dec
		Owner of BEAR studio	1 Jan - 31 Dec
		Producer	1 Jan - 31 Dec
		Music compiler	1 Jan - 31 Dec
		Performing musician	1 Jan - 31 Dec
<b>Ms Jolanda Messerschmidt CPA</b>	Paid	Director / Owner of TB&E Advice BV	1 Jan - 31 Dec
		Supervisory Board member of BMW Finance NV	1 Jan - 31 Dec
		Supervisory Board member of BMW International Investments BV	1 Jan - 31 Dec
		External adviser at Align Matters	1 Jan - 31 Dec
		Owner of J. Messerschmidt Beheer BV	1 Jan - 31 Dec
		Member of the Supervisory Board of NV Haagse Milieu Service with effect from - 01/01/2020	
	Unpaid	Treasurer of Benoordenhout residents' association (expense allowance)	1 Jan - 1 Oct
<b>Mr Arriën Molema</b>	Paid	Songwriter / Composer / Producer	1 Jan - 31 Dec
		Guitarist and business manager of Room Eleven	1 Jan - 31 Dec
		Vice-chairman of BAM!	1 Jan - 31 Dec
		Member of the Visitation Committee for the Policy Document on Culture of the Municipality of Utrecht	1 Jan - 31 Dec
		Stage Arts Fund Advisor	1 Jan - 31 Dec
	Unpaid	Board member of CIAM (option to claim travel and accommodation costs through Buma Stemra)	1 Jan - 31 Dec
		Board member of ECSA (European Composers & Songwriters Alliance)	19 Feb - 31 Dec
<b>Mr Marc Swemle</b>	Paid	Director / Owner of VaVaVoom! Music Company	1 Jan - 31 Dec
		Director / Owner of Swemle Media Holding B.V.	1 Jan - 31 Dec
		Board Member of BCMM	1 Jan - 31 Dec

## OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE SUPERVISORY BOARD

<b>Mr Raymond van Vliet</b>	Paid	Director/Major Shareholder of Cloud 9 Music Holding	1 Jan - 31 Dec
	Unpaid	Vice-chairman of Nederlandse Muziek Uitgevers Vereniging (NMUV)	1 Jan - 31 Dec
<b>MrNiels Walboomers</b>	Paid	Managing director of Sony/ATV Music Publishing Benelux	1 Jan - 31 Dec
		Director/Major Shareholder of Walboomers Publishing BV	1 Jan - 31 Dec
		Director/Major Shareholder of Nelis Holding BV	1 Jan - 31 Dec
		Board member of Cliq Digital AG	1 Jan - 31 Dec
		Board member of Donemus	1 Feb - 31 Dec
	Unpaid	Board member of Nederlandse Muziek Uitgevers Vereniging Board member of BMPA (Belgium Music Public Association)	1 Jan - 31 Dec 1 Jan - 31 Dec

All members of the Supervisory Board of Vereniging Buma must also be a member of the Supervisory Board of Stichting Stemra.

## OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE COUNCIL OF RIGHTS OWNERS

<b>Mark Bremer</b>	Paid	Managing Director of Universal Music Publishing Benelux	1 Jan - 31 Dec
	Unpaid	Chairman of Nederlandse Muziek Uitgevers Vereniging (NMUV)	1 Jan - 31 Dec
<b>Iason Chronis</b>	Paid	Composer / producer / DJ	1 Jan - 31 Dec
		Owner of Animal Language Recordings	1 Jan - 31 Dec
		Event organiser	1 Jan - 31 Dec
	Unpaid	Board member of Popauteurs.nl	1 Jan - 31 Dec
		Board member of DDJF	1 Jan - 31 Dec
		Affiliate of Popcoalitie	1 Jan - 31 Dec
<b>Ben van den Dungen</b>	Paid	Musician / composer	1 Jan - 31 Dec
		Lecturer at Rotterdams Conservatorium Codarts	1 Jan - 31 Dec
		Producer at JWA Jazz	1 Jan - 31 Dec
		Kunstenbond - Council of Members	1 Jan - 31 Dec
<b>Hans Everling</b>	Paid	Director/owner of SOB Audio Imaging BV	1 Jan - 31 Dec
		Production Director at Mail Voice Netherlands	1 Jan - 1 May
		Director/owner of Haramitsu Holding BV	1 Jan - 31 Dec
	Unpaid	Vice-chairman of BCMM	1 Jan - 31 Dec
<b>Monique Krüs</b>	Paid	Composer / Producer	1 Jan - 31 Dec
		Soprano / Conductor / Vocal coach	1 Jan - 31 Dec
	Unpaid	Board member of Nieuw Geneco	1 Jan - 31 Dec
<b>Wim Kwakman</b>	Paid	Music publisher (Director/Major Shareholder) of Pennies From Heaven BV	1 Jan - 31 Dec
	Unpaid	Board member of Nederlandse Muziek Uitgevers Vereniging (NMUV)	1 Jan - 31 Dec
<b>Davo van Peursen</b>	Paid	Managing Director and Director/Major Shareholder of Donemus Publishing BV	1 Jan - 31 Dec
		Board secretary at Stichting Donemus Beheer	1 Jan - 31 Dec
	Unpaid	Chairman of Vereniging van Muziekhandelaren en -uitgevers in Nederland (VMN) since June 2017	1 Jan - 31 Dec

## OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE COUNCIL OF RIGHTS OWNERS

<b>Aafke Romeijn</b>	Paid	Musician / Composer / Producer	1 Jan - 31 Dec
		Writer and journalist	1 Jan - 31 Dec
		Treasurer of BAM!	1 Jan - 31 Dec
		Representative of ECSA (European Composers & Songwriters Alliance)	1 Jan - 31 Dec
	Unpaid	Commercial leader at Stichting Babi Pangang Producties	1 Jan - 31 Dec
<b>Martijn Schimmer</b>	Paid	Director / owner of TFS Media Group	1 Jan - 31 Dec
		Director / owner of Schimmer Music Productions	1 Jan - 31 Dec
		Partner / owner of Scripted Music B.V.	1 Jan - 31 Dec
		Director / owner of Talents for Brands B.V.	1 Jan - 31 Dec
		Director / owner of Track Media Music Publishing	1 Jan - 31 Dec
		Director / owner of SMP Copyrights BV	1 Jan - 31 Dec
		Partner / owner of Online Cookie Collective BV	1 Jan - 31 Dec
<b>Koen Vergouwen</b>	Paid	Tierolff Muziekcentrale BV	1 Jan - 31 Dec
	Unpaid	Board member of VMN	1 Jan - 31 Dec
<b>Johan van der Voet</b>	Paid	Composer / Songwriter / Producer	1 Jan - 31 Dec
		Director / owner of SOUNDGRAM Music & Audio Post Production	1 Jan - 31 Dec
		Director/owner of Studio Soundgram & Soundgram Publishing since 2014	1 Jan - 31 Dec
		Guest lecturer at various universities of applied science	1 Jan - 31 Dec
		Director / owner of AV Sound Education since 2019	1 Jan - 31 Dec
<b>Rita Zipora Verbrugge</b>	Paid	Performing musician & songwriter	1 Jan - 31 Dec
		Moderator / presenter of music events	1 Jan - 31 Dec
		Secretary and Board member of BAM!	1 Jan - 31 Dec
		Lecturer / mentor at Pop Department Amsterdam Academy of Music	1 Jan - 31 Dec
		Chairman of POPnl	1 Jan - 31 Dec
	Unpaid	Affiliate of Popcoalitie	1 Jan - 31 Dec
		Member of Music committee of Amsterdam Arts Council	1 Jan - 31 Dec
		(expense allowance)	1 Jan - 31 Dec
		Monitoring Committee of Council for Culture (expense allowance)	1 Jan - 1 Feb
		Supervisory Board of Popronde	

All members of the Council of Rights Owners of Vereniging Buma must also be a member of the Council of Rights Owners of Stichting Stemra.

## OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE BOARD UNDER THE ARTICLES OF ASSOCIATION

<b>Bernard Kobes</b>	Paid	Board member of Stichting Buma Beleggingsfonds*	1 Nov - 12 Dec
		Board member of Stichting Stemra Beleggingsfonds*	1 Nov - 12 Dec
		Board member and Vice-chairman of VOI@E	10 Dec - 31 Dec
		Board member of Stichting SCAN	1 Nov - 31 Dec
		Owner of Kobes Beheer B.V.	1 Jan - 31 Dec
<b>Siebe van Elsloo</b>	Paid	Member of the Supervisory Board and Chairman of the Audit Committee of Stichting Cito Instituut voor Toetsontwikkeling	1 Jan - 17 May
		Board member of Stichting Buma Beleggingsfonds*	1 Jan - 12 Dec
		Board member of Stichting Stemra Beleggingsfonds*	1 Jan - 12 Dec
		Board member of Vereniging VOI@E	1 Jan - 31 Dec
		Board member of Stichting SCAN	1 Jan - 31 Dec
		Owner of SvE Beheer B.V.	1 Jan - 31 Dec
	Unpaid	Treasurer of Stichting De Groene Beheer	1 Jan - 30 Oct
		Treasurer of Stichting 1877	1 Jan - 9 Dec
		Member of the Supervisory Board and Chairman of the Audit Committee of Eye Filmmuseum	1 Jan - 31 Dec
		Board member of Stichting Buma/Stemra Projecten	1 Jul - 31 Dec
		Board member of Stichting Beheer Rechten Fingerprint Database	1 Jul - 31 Dec
<b>Cees van Steijn</b>	Paid	Non-executive director of Stak Bouwstate	1 Jan - 31 Dec
	Unpaid	Board member of Stichting Buma Beleggingsfonds*	1 Jan - 31 Oct
		Board member of Stichting Stemra Beleggingsfonds*	1 Jan - 31 Oct
		Board member of Stichting SCAN	1 Jan - 31 Oct
		Board member and Vice-chairman of VOI@E	1 Jan - 10 Dec
		Member of the Advisory Board of Pink Nova BV	1 Jan - 31 Dec

All members of the Supervisory Board of Vereniging Buma are or have also been members of the Supervisory Board of Stichting Stemra.

\* Stichting Buma Beleggingsfonds and Stichting Stemra Beleggingsfonds were dissolved on 12 December 2019.

# PUBLICATION

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## EDITORIAL BOARD

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## DRAFT, DESIGN & REALISATION

MERKELIJKHEID

