

MPA/PRS Member Update: Key points

1 November 2018

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CEO update

Robert Ashcroft, Chief Executive

Financial Performance

- Forecasting to end of the year is up on 2017. This is a strong performance given the pressures we faced, including the creation of the joint venture for public performance licensing and foreign exchange trends.
- Online revenue forecasting over 20% growth.

Digital Experience

- We continue our improvements to the digital experience for members
- Beta test for online statements scheduled for late November
- Identity Access Management (IAM) is now built and undergoing extensive testing and assurance work

EU Copyright Directive

- Successful vote on 12 September, but more work left to do.
- Now in the "Triologue Process" where the Commission, Parliament and Council agree a text that works for all. Last meeting of this process will be in December, with a potential vote in January or February 2019.

Organisation Design Review

- Designing our future business.
- We have undertaken an in-depth review of each business unit to understand existing ways of working, challenges and opportunities for improvements.
- Next steps: companywide consultation to begin on the 5 November and last for a minimum of 30 days. To utilise our space in the best way, we will release floor seven at King's Cross and maximise our teams in the Streatham office.

Membership update

Claire Jarvis, Director of Membership

2018 Digital Initiatives

- Launch of music recognition technology for DJ events, with a trial commenced on background music
- Release of live reporting tool enhancements & beta testing of online statements to begin in December
- Use of business intelligence tools so we can be on the front foot pre-distribution

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Broadcast policy changes

- Introduction of BBC radio weightings and TV time of day changes
- Introduction of Sky time of day bands in December
- Begin discussion on BBC top level allocation policy

2019 focus

- Number one priority is distribution accuracy
- Implementation of re-focused membership strategy
- IAM full (phased) launch
- Further broadcast policy changes

International update

Sami Valkonen, Director of International

Spain – SGAE governance and distribution rules

- La Rueda (the wheel) and Ghost Music remain a significant issue
 - SGAE is applying a distribution rule that disproportionately weighs early morning plays, which are packed with music from publishers owned by the broadcasters, resulting in an effective discount at the expense of other rightsholders. This system is known as La Rueda, or the wheel.
 - In a similar scheme, broadcasters are inserting music that they control into the background of programming at a level where it is barely, or not at all, audible. This is called Ghost Music.
 - Both schemes distort the distribution in a deliberate and unfair way and are in contravention of approved CISAC practices.
- Lack of electronic voting
 - CISAC rules mandate CMOs to implement reliable electronic voting at their AGMs.
 - SGAE'S failure to comply with these requirements makes it difficult for non-Madrid based members to participate and makes the electoral process more susceptible to fraud.
 - The elections at the SGAE AGM on 26 October were boycotted by large groups of members resulting in a voter turnout in the low teens of the membership.
 - Unfortunately, this resulted in the new Board being packed by directors supporting the La Rueda and other practices in contravention of international standards.

Greece - Autodia vs. EYED

- Demise of AEPI.
- Head of the Hellenic Copyright Organization (OPI) has resigned.
- CISAC support for AUTODIA, government set up of EYED. We have provided a limited mandate to AUTODIA for General Licensing on a trial basis and may add further rights over time subject to performance.

Licensing update

Paul Clements, Executive Director of Membership, Licensing and International

Broadcast and Online

- BBC and BBC Worldwide Licence renewed covering:
 - Public Service Licence (TV, Radio, iPlayer, bbc.co.uk)
 - MCPS TV Programme sales
 - MCPS North American DVD/DTO
 - BBC Sounds Interactive Streaming licence
- Broadcast negotiations to begin with ITV, Channel 4, Channel 5 & Sky.
- Video on Demand continues to grow:
 - Licence with Netflix agreed
 - Strong revenue growth looks to continue into 2019

Scheme Reviews

- Live review - Tariff LP ("Live Popular") & Tariff LC ("Live Classical"):
 - New Tariff LP approved by Copyright Tribunal in May 2018
 - Launched in June 2018 – higher rates, broader revenue base – applicable to events that went on sale post launch date
- MCPS scheme strategic review
 - Focus areas are: licensing schemes, technology and marketing.
 - Limited Online Music Licence (LOML) and Limited Manufacture (LM) simplification underway
 - Roll out a new e-Commerce platform planned for mid-2019
- PPLPRS Ltd
 - Launched in February 2018.
 - Huge achievement, with minor issues to overcome (common in start-ups). Cross system stabilisation and a two-week operational downtime to migrate parent systems to PPLPRS caused delays.
 - Despite initial invoicing delays, a recovery plan is in place to reduce the deficit monthly with all delays caught up and normal business running smoothly by end 2019.

Legal Affairs update

Debbie Stones, General Counsel

EU Copyright reform and transfer of value

- The Trialogue process has commenced following the positive vote in European Parliament on 12 September which approved a proposed text of the Copyright Directive, including provisions relating to the 'transfer of value'.
- Meetings have been set up throughout October, November and a final one in December for these negotiations between the Commission, Parliament and Council of Ministers to produce a final text.
- The provisions we want are still under attack and PRS is working with ICMP, IFPI, GESAC and IMPALA to agree a co-ordinated music industry response.

Brexit

- The prospects of a no-deal Brexit remain very high. The Government has laid out regulations making changes to copyright law which will apply in that event.
- The principle of the changes is to remove inappropriate references to European Economic Area (EEA) states and to limit any cross-border provisions which, if they were to apply only to the UK, would adversely affect UK rightsholders/businesses interests.
- Particular risks to UK revenue and business relate to:
 - The treatment in the EEA of satellite broadcasts uplinked from the UK
 - The non-application of the exhaustion of rights principles on articles exported from the UK to EEA
 - Multiple clearance requirements on multi-territorial or cross border services
 - As yet unknown regulatory risks in relation to PRS Agency territories as well as the general risk of a serious downturn in the economy.

Music Modernisation Act

- This was signed into law on 11 October with an unprecedented easy passage through the Congress having secured nearly universal support.
- It covers three areas:
 - Music licensing reform in the US – fundamentally changing the compulsory mechanical licensing regime for digital uses by the establishment of a mechanical licensing collective (MLC). This is governed by publishers and creators, paid for by digital service providers (DSPs) and will provide for new rules arounds rate setting for both mechanical rights and performing rights
 - Classics protection and access – providing protection for pre-1972 recordings for certain digital uses, and providing access to orphan works
 - Providing an allocation of royalties for studio producers arising from certain digital performances.

Financial update

Steve Powell, Chief Financial Officer

- The current forecast is that we will continue to show overall revenue growth against 2017
- Revenue is forecast to increase across all revenue streams, except for Broadcast (due to the exceptional ITV payment released to members in 2017 following the tribunal's conclusion).
- Significant streaming market growth continues due to a combination of renegotiated, new and improved licensing deals.
- 2018 costs are forecast to be higher than 2017 mainly due to planned investments and costs related to the increased revenue
- The French withholding tax legal process is ongoing, and we hope to hear positive news regarding the French Tax Authorities 2013 appeal imminently.

HR update

Pamela Harding, Director of HR

Programme Kassia

The on-going aim of the Executive Leadership team is to manage costs and have an organisation that is efficient and effective to meet the current and future needs of its members.

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The Kassia Programme breaks down into four areas:

- Organisation design: in-depth reviews of each business unit to understand existing ways of working, challenges and opportunities for improvements.
- Property: release of floor seven at King's Cross. Rent review at King's Cross will be negotiated May 2019.
- People: Evaluate all roles, implement new organisation structures, develop remote and flexible working guidelines and implement key job skills.
- Technology: install new "collaborative" technology to support staff meetings, helping to make them more interactive, efficient and productive.

Diversity & Inclusion

- Unconscious bias training completed by Executive Leadership Team and Values Ambassadors and will be rolled out to the Leadership Team.
- E-learning diversity and inclusion training module designed for roll-out to all staff.
- Quarterly/monthly events including informal 'lunch & learn' sessions led by guest speakers to build and embed awareness of diversity and inclusion.

Wellbeing

The programme covers four key areas – nutrition, financial wellbeing, physical wellbeing, resilience & mental wellbeing.

- Wellbeing Hub houses all wellbeing information, videos, useful resources, gym discounts and access to all workshops and events.
- Flu vaccinations offered to employees for the first time in 2018
- Engagement of staff as a result of the Wellbeing Programme has increased by 30%
- There will be a greater emphasis on mental health in 2019 with the introduction of Mental Health First Aiders.