



Response to Independent Code Review- Call for Evidence

Part A

How does PRS comply in theory and in practice with the BCC Principles, the *PRS for Music* Code of Practice and with HM Government's Minimum Standards?

Introduction:

PRS for Music participated in the work of the BCC Working Group, which developed the Principles now under review. PRS has embraced code-based self-regulation and adopted it unilaterally in 2009 for its public performance licensees and have updated codes of conduct so that they apply fully and are now in line with the Principles. The involvement of Ombudsman Services to oversee complaints was and remains intrinsic to our commitment to codes. We welcome this Review and we are pleased to outline our compliance in this response.

Unless otherwise stated, our responses cover PRS and MCPS.

1. BCC Principles

The BCC Principles outline the content for Codes of Conduct. The *PRS for Music* Code has been drafted to comply with the Principles. We fully support the review of the BCC policy framework through independent review.

2. The *PRS for Music* Code:

We focus on three areas to ensure compliance - training and awareness; risk reporting and monitoring, and Complaints handling.

Training and awareness

General staff training and awareness

New starters in every department are made aware of the code and its contents as part of their first day induction. All managers are advised to discuss the code and how it relates to the individual's role within the business during the first month of employment. The code also forms a part of the induction course held within 4 weeks of joining. Awareness is reinforced throughout employment. The HR and Communications teams are committed to develop new tools for refreshing knowledge and retaining employee engagement with the Code.

The Code is accessible to staff from the front page of the employee intranet. The company also publishes an "At a glance guide" to the Code and provides an e-mail link to enable employees to ask questions about the Code or to report compliance concerns.

Additional training and awareness in Membership and Licensing teams

Membership and Licensing are the key external customer facing teams and therefore they developed more in depth bespoke training in the operation of the Code of Conduct, its standards and the complaints processes. These training programmes are delivered by Training Managers. In

Public Performance Sales, which licenses over 250,000 businesses that use music, the training process is carried out by the Learning & Development Team with oversight by the Quality Assurance Manager, whose role also includes oversight of complaints handling for all aspects of PRS for Music licensing activity.

Staff are required to attend annual refresher training on the Code. We have attached the Membership Code of Conduct presentation for staff as illustration of the training delivered.

Licensing staff are required to sign a Declaration Form confirming that they have read and understood the Code of Conduct.

External agents

We ensure third-party agents (such as outsourced services providers and all debt collection agents), who interact with our customers are aware of the Code and train their staff to operate in compliance with the code.

Reporting and Risk Management

PRS for Music operates a number of tools to ensure we are aware of compliance levels, risks and issues, and have a forum in which to discuss these developments and take action, set up training etc. These include:

- Quarterly Summary of Complaints report for Divisions, Management Team and the Board.
- Report on implementation of Code and Code compliance on a management “dashboard”.
- A Code Implementation Group that meets 6 weekly to discuss reports, developments and the dashboard. This includes representatives of Licensing and Membership teams, with HR and Communications.
- Code compliance forms part of the Corporate Risk Register.

Complaints capture, handling and recognition

PRS for Music has a clearly defined internal complaints escalation mechanism. An independent external complaints service is provided by Ombudsman Services.

We have attached the following as documentation of internal processes and reporting.

- Summary of Complaints 2012-3
- Licensing Complaints Procedure

Please note the specific case histories in the Summary of Complaints contain strictly confidential information, not for publication or further dissemination.

Membership

In 2013, Member Services received **47,000** queries.

Member Services received **10** complaints (complaints by a member that PRS or MCPS has failed to comply with the provision of its Code or to administer that member’s rights in accordance with his or her membership contract), three of which were referred to the Ombudsman.

Member Services do not use the specific complaints to inform decisions as to whether to change or enhance service standards or policies, including PRS’ distribution policies because they are insufficiently representative. On the other hand the general queries provide meaningful information

about members' concerns about policy and operational issues and these queries are used to inform and drive enhancements to services.

Therefore we note that, though the BCC Principles envisaged that complaints should be used as a benchmark for members' concerns generally about the day-to-day management of the CMO and to inform how the CMO should expend financial and human resources on managing the business, this is not happening in practice.

Licensing

- Public Performance Sales received a total of **82** complaints in 2013, which is averaged over the year to **7** in **100,000** contacts made. The total number of contacts has increased, without a corresponding rise in complaints. The number of upheld or partially upheld complaints was 29%, a rise from the previous year.
- The complaints rate has declined year on year, **0.014%** in 2013, down from **0.015%** in 2012 and a significant decrease from **0.024%** 2011. A more accurate and more detailed breakdown of contacts data (introduced 2012/3 but not formally used) suggests the rate is even lower: **0.006%** of contacts in 2013.
- Public Performance Sales achieved a **72%** within timescale response rate in 2013. Where delays occurred, complainants received holding letters in order to keep them up to date.
- **6** complaints were escalated within the complaint procedure in 2013, reduced from **8** in 2012. We had **3** complaints from Members of Parliament in 2013.
- Ombudsman: no complaints were escalated to the Ombudsman in 2013, reflecting our ability to resolve complaints early in the process.

Complaints data is used to drive improvements in training and coaching. As part of a restructuring in Public Performance Sales, changes have already been implemented in the Quality Assurance and Complaints processes for efficiency gains and to highlight issues with Code Compliance, as they arise. Increased Joint Licensing work with PPL and our upcoming licensing and tariff simplification projects will also improve customer and licensee experience.

PRS for Music applies qualitative measures, and monitors and evaluates staff handling of customer calls in Public Performance Sales on the basis of the accuracy of information provided and the way in which the call is handled and customer's needs are met.

3. Government Minimum Standards

PRS for Music believes that its Code and its system of self-regulation complies with the specified criteria of the Minimum Standards in all material respects.

As part of our review of our Code and in accordance with our commitment, we will be taking into account the Specified Criteria to ensure that our voluntary system remains fit for purpose.

Part B: The call for Evidence – question 5.

5.1.1 Transparency and Reporting Requirements.

In relation to transparency and reporting requirements, an organisation should:

Signpost where to access a copy of its annual report and audited accounts, its memorandum/articles of association, details of the complaints and dispute resolution procedure, and the BCC Principles.

These documents are published on the Corporate Resources and Governance pages in the About Us section of the website.

<http://www.prsformusic.com/aboutus/corporateresources/corporateinformation/Pages/default.aspx#annualreports>

It should include in its annual report total revenue from licences granted for its repertoire during the reporting period; its distribution policy; allocation and distribution of payments of revenues and the extent to which this is compliant with its distribution policy; total costs and costs itemised in administering licences and licensing schemes; details of procedures for and appointment of directors and details of appointments made; details of the remuneration of each director during the reporting period. It should include a report about compliance with its code of practice during the past year and data on the total level of complaints and how they were resolved.

The 2012 MCPS and PRS Directors' Reports and Accounts respectively detail total revenues, executive remuneration and code compliance.

<http://www.prsformusic.com/aboutus/corporateresources/corporateinformation/Pages/default.aspx#annualreports>

PRS and MCPS make information relating to their respective distribution policy, costs and royalty allocation available on the website.

<https://www.prsformusic.com/creators/memberresources/PRSforMusicroyalties/Pages/PRS.aspx>
<https://www.prsformusic.com/creators/memberresources/MCPSroyalties/Pages/MCPS.aspx>

It should provide details about its code of practice via a link on the website homepage.

The About Us section of the website includes a link to the Code.

<http://www.prsformusic.com/codeofconduct/Pages/default.aspx>

It should provide an undertaking that all information provided is kept up to date, is readily accessible and written in clear language that can easily be understood by licensees, potential licensees and members.

Our Code contains a commitment to transparency, which is a commitment to providing clear information.

5.1.2 Rights Administration.

In relation to rights administration, an organisation should:

Set out the scope of its repertoire, reciprocal agreements, and the territorial scope of its mandate; identify the rights holders on whose behalf the organisation acts, and explain the basis for the authority to act; and publish the number of rights holders represented whether as members or through representative agreements

The Code provides a high level explanation of this information.

Membership numbers for each of PRS and MCPS are published in the Governance section of our Corporate Resources page:

<http://www.prsformusic.com/aboutus/corporateresources/corporateinformation/Pages/default.aspx#annualreports>

A list of reciprocal agreements is accessible via our website:

<http://www.prsformusic.com/international/Pages/international.aspx>

The full extent of rights administered by PRS and MCPS is set out in each society's membership agreement, which is accessed in the Governance section of the Corporate Resources page of the *PRS for Music* website and on the membership joining pages, accessible via the home page of our website:

<http://www.prsformusic.com/aboutus/corporateresources/corporateinformation/Pages/default.aspx#annualreports>;

<http://www.prsformusic.com/joinus/Pages/joinus.aspx>

5.1.3 Membership.

In relation to membership, an organisation should:

Offer membership to all holders of relevant rights in the sector managed, explaining who can join, the procedures and terms of membership, and the nature of the grant or transfer of rights; explain the scope of authority granted and how the member may restrict or withdraw rights on reasonable notice, including the implications of so doing; explain what happens if the member dies or if corporate dissolves while a member.

This information is provided in:

PRS Articles of Association, Article 4 – 9; MCPS Membership Agreement - MA2, both at

<http://www.prsformusic.com/aboutus/corporateresources/corporateinformation/Pages/default.aspx#governance>;

<https://www.prsformusic.com/joinus/Pages/how-it-works.aspx>

It should state how members will be consulted about changes to existing licences and the development of new licences materially affecting or likely to affect the management of their rights and/or the collections and distribution of income to them.

Page 16 of the Code refers to this.

It should state a clear a distribution policy that include the basis for calculating remuneration, frequency of payments and clear information about deductions and what they are for (and where further information can be found about the activities to which these deductions are put. It should also state what happens to any interest earned on revenues held before distribution.

It should explain the frequency of royalty distributions and what will be provided in individual royalty statements to members (the source of royalties including the uses and the period to which the royalty relates, any deductions for administration and any other deductions (including tax, cultural funds etc. as applicable).

Page 14 of our Code and the published Distribution Policy, on the Corporate Resource section of website, provides this information to members.

<http://www.prsformusic.com/aboutus/corporateresources/corporateinformation/Pages/default.aspx#governance>

It should act in the best interests of its members as a whole, treat all members fairly, honestly, reasonably, impartially, courteously and in accordance with its rules and membership agreement, and deal with all members transparently.

Page 16 of our Code outlines this commitment.

The Board Directors of PRS and MCPS each owe statutory fiduciary duties to act in the interests of the members as a whole, as Companies Act requirements.

PRS and MCPS each give explicit commitments to treat members impartially in relation to inter-member disputes

https://www.prsformusic.com/creators/memberresources/how_it_works/disputesandduplicateclaims/Pages/disputesandduplicateclaims.aspx

MCPS' Membership Agreement contains an express undertaking not unreasonably to discriminate between Members

<http://www.prsformusic.com/SiteCollectionDocuments/Membership/MA2andannexes.pdf>

PRS and MCPS operate in accordance with all relevant UK and EU competition rules.

5.1.4 Licensing schemes and obligations to licensees.

In relation to licensing schemes and obligations to licensees an organisation should:

Summarise these showing where full detail of schemes can be found; it should consult and negotiate fairly, reasonably and proportionately, and state how schemes have been negotiated (eg with a relevant trade association); it should set out how and when terms are reviewed; explain if conditions include powers to visit premises for compliance purposes and how these may be exercised; show tariffs in a uniform format on its website; set out all schemes in plain English accompanied by suitable explanatory material; it may set out expectations of licensees, including respect for the rights of creators and rights holders including the right to receive fair payment when their works are used, and that copyright material will only used in accordance with the terms of a licence.

We publish details of schemes and licences in the "I am Using Music" section of our homepage, including, by way of example, the following:

<http://www.prsformusic.com/users/businessesandliveevents/Pages/Existingmusicforbusinesscustomers.aspx>

<http://www.prsformusic.com/users/recordedmedia/Pages/default.aspx>

<http://www.prsformusic.com/users/broadcastandonline/Pages/default.aspx>

Our code contains a commitment to conduct fair, reasonable and proportionate consultations and negotiations. We publish details of how we give effect to this commitment on our website: for example, in relation to our public performance tariffs, at :

<http://www.prsformusic.com/users/businessesandliveevents/musicforbusinesses/customerconsultation/Pages/Abouttariffconsultations.aspx>

We outline our practice and policy in relation to on-site visits for compliance purposes in our Code at (p.33). If and where we intend to visit premises for the purposes of enforcing the terms of our licence contract, we make this clear in the terms and conditions of our contract with the music user, the standard terms and conditions of which we publish on our website:

<http://www.prsformusic.com/users/businessesandliveevents/generaltermsandconditions/Pages/default.aspx>

We set out our expectations of licensees on p.31 of our Code.

Licensees and potential licensees are to be treated fairly, honestly, impartially courteously and in accordance with its rules and any license agreement, ensuring that dealings with licensees and potential licensees are transparent. They are to be consulted about changes or new developments materially affecting or likely to affect their licensing requirements (including changes to tariffs or fees).

We make these commitments to licensees and potential licensees in our Code (at p.30). We publish details of how we give effect to our consultation commitment on our website. For example, at <http://www.prsformusic.com/users/businessesandliveevents/musicforbusinesses/customerconsultation/Pages/Abouttariffconsultations.aspx>.

5.1.5 Governance.

In relation to governance, an organisation should:

State how members will be represented on the governing body, and how that body is composed, how it is appointed, terms of office and the cycle of changes; explain any technical/regional committee or council structures, and how these are appointed; explain how members can apply to be on the governing body or any committee or council.

Page 6 of the Code and on the Governance section of the website:
<http://www.prsformusic.com/aboutus/governance/Pages/default.aspx>,

It should state the frequency of general meetings, how members are notified, what voting rights they have and how to exercise them if they cannot attend, their rights to call a special meeting and how to do so.

In its governance arrangements it should offer fair and balanced representation of rights holders in its internal decision making process.

The composition of the Board of Directors of each of PRS and MCPS offers a balanced representation of performing right and mechanical rights holders in the company's internal decision making process.

5.1.6 Service levels & operational issues.

In relation to service levels and operational issues, an organisation should:

Ensure that training for employees, agents and representatives includes conduct that complies with obligations to members and licensees, that they provide clear information about cancellation rights

and cooling off periods which may apply to new licences, and are aware of procedures for handling complaints and resolving disputes and are able to explain these in plain English.

We refer to Part A of our response in relation to training. Our PPS division operates according to business process maps in relation to cancellation rights and cooling off periods, and complaints management, for example.

It should provide clear signposts for how to contact it, giving postal and email address, telephone and fax numbers and other communications methods, giving details of special access provisions it may offer (eg Braille publications). It should state any specific undertakings as to the speed of telephone answering, or other response time targets.

http://www.prsformusic.com/aboutus/contact_us/Pages/default.aspx

It should provide information about payment methods to enable licensees to pay by whatever means it has available (credit or debit cards by telephone, cheque, direct debit or other means) and clarify refund policies in which agreed refunds will be paid.

<http://www.prsformusic.com/users/businessesandliveevents/Pages/payaninvoice.aspx>

We outline the circumstances in which we make refunds in our Code at p.34.

In relation to personal data it should explain any requirements for changes to member or licensee data and whether these must be in writing, and keep data up to date by providing easy means for members to notify any changes to their personal information. It should provide a clear signpost to its obligations under the [Data Protection Act 1988](#) and the [Privacy and Electronic \(EC Directive\) Regulation 2003](#), and to its own data protection and privacy policies. It should state clearly how any individual can notify it of their wish not to receive certain material via certain media from it.

5.1.7 Complaints and disputes.

In relation to complaints handling an organisation should:

Adopt and publicise procedures for handling administrative errors or complaints about any aspects of its dealings including any failure to adhere to its Code, ensuring that information on how to make complaints is readily accessible. It should define the categories of complaints and explain how each will be dealt with, to whom complaints may be addressed and who will handle them, and provide reasonable assistance to a person forming and lodging a complaint.

It should give a reasonable timescale in which a complaint can be resolved, with an undertaking to notify the complainant if the matter cannot be resolved within that timescale. It should provide that a written response will be given to any complaint made in writing with reasons for any decision.

It should describe the appeal stages and timescales that will apply if a complaint has not been dealt with to an individual's satisfaction, including the further stages for referral of disputes to an Ombudsman.

It should appoint and fund an independent and impartial Ombudsman to arbitrate on disputes and review its performance against its code. The Ombudsman should be the final arbiter in relation to the standards set in its code. In describing the procedures for dealing with disputes, the organisation should also highlight the functions of the Copyright Tribunal, contact details of which should also be supplied.

It should ensure that it makes adequate resources available for responding to complaints and resolving disputes.

We publish details of our complaints handling and dispute resolution procedures in our Code and online, where our Complaints policy can be accessed via the About Us section of our website in the Our Organisation and Corporate Resources sections.

<http://www.prsformusic.com/aboutus/ourorganisation/complaints/Pages/default.aspx>

5.1.8 Success in meeting objectives.

The objectives of the framework provided by the *BCC Principles* is stated to be:

(i) to provide a framework for codes of conduct for individual CMOs which will:

- *identify the rules governing a CMO's governance structure, licensing arrangements, royalty collection and distribution practices, administration charges;*
- *clarify service levels for members and licensees;*
- *set out requirements for rates to be fair and consistent across all users;*
- *provide for transparency in terms of access to licence tariffs;*
- *explain the implications of a member's mandate to a collective management organisation;*
- *clarify complaints/disputes procedures for members and licensees.*

(ii) to promote generally a visible commitment by CMOs in the UK to providing awareness of and access to information about copyright and the role and function of CMOs in administering copyright on behalf of their members and providing licensing solutions to users;

(iii) to promote confidence in CMOs and their effective administration of copyright and delivery of licensing solutions in the UK;

(iv) to promote confidence generally in the commitment of CMOs collectively to the principles of good governance, transparency and accountability in their management of copyright and provision of licensing solutions in the UK; and

(v) to thereby enhance the experience of members and licensees when dealing with CMOs and empower them to fairly and properly benchmark the service they are receiving.

5.1.9 How far does the organisation on which you are commenting, in adopting its Code and complying with it, contribute to success in meeting the objectives outlined?

We believe that this question is directed to and best answered by licensees and members, as stakeholders in this process. PRS for Music believes that, by adopting and complying with the Code, it is contributing to success in meeting the above objectives.

5.1.10 Do the BCC Principles, taken together with HM Government's Minimum Standards, remain fit for purpose?

Yes

5.1.11 How far do the overall arrangements produce proper levels of accountability to rights holders and to those who pay for licences, resulting in a well functioning market in which interests are appropriately recognised and fairly balanced?

The mandates and the corporate governance arrangements are the key instruments of transparency and accountability to members. The Code complements these contracts.

In our view the Code has increased our focus on services we provide to the users of music that we license.

5.1.12 Do the arrangements amount to a self-regulatory framework in which the British public, the UK government, and corresponding European and international copyright and other institutions, can have justifiable confidence?

We think the current self-regulatory framework is a good model for ensuring transparency and service levels are clear to members and licensees of collective management organisations. The commitment to review ensures the Principles and the Codes are regularly reviewed to ensure they are still meeting the needs of the CMOs and their customers. It is worth noting that transparency formed a key principle of the recently adopted EU Collective Rights Management Directive, just as the Principles and the Code prioritise transparency.

PRS for Music

28.02.14