

ACCOUNTING RULES AND PRINCIPLES

Sacem's annual financial statements have been drawn up in accordance with regulation N°2014-03 of the French Accounting Standards Authority (Autorité des Normes Comptables) relating to the General Accounting Plan (Plan Comptable Général).

Since the 2018 financial year, Sacem has also applied the new ANC regulation n°2017-07 of 1 December 2017 relating to the harmonisation of accounting rules and the presentation of summary documents from collective management organisations for copyright and neighbouring rights. (Regulation approved by order of 26 December 2017 published in the Journal Officiel of 30 December 2017.

In addition to the information provided for in ANC Regulation 2014-03 on the general accounting plan, the annex to the annual accounts includes the new information mentioned in Articles 131-2 to 131-8 of the new regulation.

The general accounting conventions have been applied, in compliance with the principle of prudence, in accordance with the basic assumptions whose purpose is to provide a true and fair view of Sacem's assets, financial position and results:

- Continuity of operations
- Consistency of accounting policies from one year to the next
- Independence of fiscal years
- Materiality

The basic method used for valuing balance sheet assets is the historical cost method.

The main methods used are the following:

a and b. Intangible assets and tangible fixed assets

An intangible or tangible asset is recognised as an asset when the following conditions are simultaneously met:

- It is probable that the entity will receive the related future economic benefits
- Its cost or value can be assessed with sufficient reliability

a bis Intangible fixed assets

Software is recorded at acquisition cost or, when created internally, at production cost when this can be measured with sufficient reliability.

Depreciation is calculated on a straight-line basis between 2 and 9 years depending on the probable useful life.

b bis Tangible assets

Tangible fixed assets are valued at acquisition cost (purchase price and incidental expenses). Since the 2013 financial year, it was decided to record the costs associated with the acquisition of fixed assets on the assets side of the balance sheet and to depreciate them over the duration of the corresponding asset.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset:

- | | |
|----------------------------------|----------------------|
| - Buildings | 30 years |
| - Fixtures and fittings | 3, 5, 10 or 20 years |
| - Transport equipment | 5 years |
| - Office furniture and equipment | 3, 5 or 10 years |
| - Computer equipment | 3 or 5 years |

Equipment with a unit value of less than €500 excluding VAT is recognised as an expense for the year.

a and b ter. Inventory value of fixed assets

At each closing, the society assesses whether there is any indication of impairment of tangible and intangible assets. Indications of impairment include obsolescence, physical deterioration, significant changes in the mode of use, and other external indications.

If this is the case, the society determines the present value of these assets and compares it to their net book value to calculate any impairment.

The present value is the higher of the current market value or the usage value.

c Financial fixed assets

Financial assets are shown in the balance sheet at their acquisition cost. If their present value is lower than this, an impairment loss is recognized.

d User receivables

Receivables are recorded at their nominal value. They correspond to invoices for rights issued to users.

Receivables with a risk of irrecoverability are not subject to depreciation, since royalties are only paid to the rights holders after they have been collected in advance.

Thus, in the event of irrecoverability, a reduction in receivables is recorded on the assets side, offset on the liabilities side by a reduction in the item "fees notified to users but not paid", with no impact on the management account.

e "Members" Receivables

A provision has been set aside for the accounts of member-debtors for whom there is a risk of non-recovery due to the absence or insufficiency of royalties. This provision is estimated at €2,671,807 at the end of December 2021.

f Other receivables

Other receivables are recorded at their nominal value.

Where appropriate, a provision is made for any collection difficulties that may arise with respect to these receivables.

g Investment securities

The portfolio consists mainly of bonds, negotiable debt securities and capitalization contracts that are easily convertible into a known amount.

Marketable securities are recorded in the balance sheet at their original value.

Sacem's general investment policy has always been based on the principle of security of the capital invested.

In keeping with this approach emphasizing security and investment quality, Sacem has always forbidden itself from engaging in arbitrages, keeping the securities until their maturity to be able to always benefit from capital guarantees.

Consequently, this portfolio is presented in cash and no impairment is recorded on the basis of the market price at the end of the year.

For information, potential capital losses on investments amount to €5,012,084 as of December 31, 2021, and capital gains to €30,267,713.

h Provisions

Sacem recognizes the following provisions in its balance sheet:

- The "Medals for work" provisions: the medals for work reward long-time employees of Sacem. A bonus is paid for 20 and 30 years of service. The provision is determined using the "projected unit credit" method.
- Other provisions correspond to specifically identified risks and charges.
Provisions for liabilities and charges are established in conformity with CRC regulation 2000-6 on liabilities. A provision is recognized when the society has an obligation to a third party resulting from a past event, it is

probable or certain that it will result in an outflow of resources to the third party, and the amount can be reliably estimated.

i Exceptional results

Income and expenses that do not fall within the scope of Sacem's ordinary activities by their nature, occurrence or materiality are recorded as exceptional income.

j Off-balance sheet commitments

The liability for "End-of-career benefits" is determined using the "projected unit credit method".

SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

a Health crisis

The government measures put in place as part of the management of the health crisis continued to have a very strong impact on the music business.

This decrease led to a drop in general royalties and a decrease in the resources of the management account as well as in the resources of the Sacem social and cultural works account.

Sacem renewed its actions to help its members overcome the consequences of the health crisis: payment of non-reimbursable direct aid, reinforced programs of aid to publishers, exceptional advances with a reimbursement from January 2023 spread over 5 years.

An income security fund was created with support from the National Music Centre (CNM). This fund is intended for authors and composers whose remuneration from collective management has fallen by more than 40% because of the health crisis.

Sacem's "Tous en live" programme was intended to help the "cafés, hotels, restaurants" sector recover by providing assistance for the organization of concerts.

b Online collections

Growth in online collections (+23%) continues to be driven by organic market growth and the conclusion of new contracts. As a result, the amount of collections exceeded €1 billion.

c Activity in Lebanon

The branch's activity remains seriously impacted by the economic and financial crisis that Lebanon is going through. The devaluation of the Lebanese Pound has led to the devaluation of the amount of the collections, while a subsidy was granted to the branch.

d Real estate

Building work:

Renovation work was carried out at the head office to improve the reception of members and in the premises intended for the IT department.

Real estate disposals:

Sacem sold three properties in Neuilly-sur-Seine, Saint Germain-en-Laye and Épinal.

e Labour agreement

An agreement relating to the implementation of a specific system of long-term partial activity was signed with the trade unions in April 2021 to preserve employment in a context of declining activity of Sacem related to government measures to manage the Covid health crisis.

f Ukrainian crisis

In accordance with French accounting principles on the information to be disclosed in the notes to the financial statements, the company notes that this conflict has not have a significant impact, due to the following reasons:

- No royalties collected for 2021 from Ukraine