

## **CODE OF FINANCE**

**Adopted by the General Assembly in Geneva on 5 December 2013**

**(in force as from 1 January 2014)**

### **INTRODUCTION**

The Code of Finance implements the provisions laid down in Article 17 of the EBU Statutes, in accordance with Article 17.12.

The Code seeks to ensure that all EBU activities are properly funded and financially transparent, and that all Members and Approved Participants pay an equitable amount for the services they receive from the EBU.

The Code is structured in four parts:

1. Professional Association (Member Services)
2. Self-financed activities
3. Payment of Members' financial obligations
4. EBU treasury policy.

## **1. PROFESSIONAL ASSOCIATION**

Core Member services provided by the EBU lie within the Professional association. In general these are funded by membership fees and subscriptions paid by Members, Associate Members and Approved Participants. These include:

- Director General's Office
- Public Affairs & Communications (including Media Intelligence Services)
- Media Department (excluding User Pay projects, News Exchange and Events)
- Legal Department
- Technology and Innovation

The relevant share of costs of the Supporting Services (Finance, Human Resources, Facilities Management, Information Technology, Print and Translation) is charged internally to these sectors through transparent cost allocation.

### **1.1 Membership fees of Active Members**

#### **1.1.1 Calculation of membership fees**

Each Active Member pays an annual membership fee calculated in accordance with its operating expenditure on the basis of the Membership Unit Scale given in Annexe 1. This is subject to a minimum membership fee of CHF 75,000 or 1% of the Member's operating expenditure if this value is lower than CHF 75,000, ignoring elected fee allocations within countries.

Where there are two or more Members in a given country, the combined total of their operating expenditure shall serve as a basis for calculating the Members' membership fee, to be split internally - unless agreed otherwise - in the ratio of the individual Members' operating expenditure. The same method shall be applied within groups (Articles 3.15-3.19 of the Statutes), except that group members which can belong to the group only as additional members (Article 3.16) shall not be taken into account for the purposes of calculating the membership fee; instead, they shall pay a separate annual subscription fixed by the Executive Board in accordance with the principles applying to Approved Participants. As a protection to current Members, the entry of a new Member in a country where one or more Members are already present shall not give rise to an increase in the membership fee of existing Members in that country during the membership fee cycle in which the new Member joins the EBU unless the existing Member(s) agree to a fee sharing basis allowing this.

Operating expenditure is defined as the amount of money expended on domestic broadcasting activities and services, including all overheads and broadcasting-related costs, such as income collection costs, copyright payments and orchestras.

Operating expenditure excludes such financial items as bank interest and loss on exchange.

All Members shall supply the Permanent Services with their latest set of audited accounts clearly showing the amount of operating expenditure or, if requested, a form to complete showing the requested data which should be attested by the external auditor. For group Members the requested information is to be provided for each group Member. In the absence of such data, the Permanent Services shall be free to make reasonable estimates. These estimates shall be communicated to the Members concerned and shall be taken as definitive unless refuted by the Member by means of solid evidence within four weeks.

The figures established in accordance with the foregoing shall constitute the basis of establishing the membership fee units for three consecutive years (the membership fee cycle).

#### 1.1.2 Entrance fees of Active Members

The entrance fee, to be proposed by the Executive Board, shall duly reflect the new Member's financial capacities and the value which EBU membership represents for it, while also bearing in mind Article 19 of the Statutes. Although individual particularities shall be taken into account, the normal case would be an entrance fee which is equivalent to three times the new Member's first annual membership fee, as resulting from 1.1.1 above and without taking into account any different internal sharing key which may be agreed upon by the Members of the country in question.

When an additional organization is admitted to an existing group (i.e. under Articles 3.15-3.17 and 3.21 of the Statutes), or to join an existing Member, the foregoing rationale shall apply by way of analogy, except that where a newly-admitted organization can belong to the group only as an *additional* member the entrance fee should, in principle, be the equivalent of 10% of the group's annual membership fee. In the event of changes to the group structure, new or additional group Members shall provide the same financial information as that requested under 1.1.1 above for the most recently completed financial year to allow the calculation of the entrance fee and recalculation of the group membership fee. For departing group

members, the lead group member is responsible for providing the EBU with the values included for the departing Member in the last membership fee reassessment if this had not previously been provided.

## **1.2 Subscriptions of Associate Members and Approved Participants**

In accordance with Article 17.2 of the Statutes, the subscriptions of Associate Members are fixed by the Executive Board with reference to the scale in Annexe 2 hereto on the basis of the value of EBU services to the recipient and the latter's financial capacities. The financial capacities of new Associate Members shall be assessed with reference to their operating expenditure at the time of application.

In accordance with Article 17.2 of the Statutes, the subscriptions of Approved Participants are fixed by the Executive Board on the basis of the value of EBU services to the recipient and the latter's financial capacities.

Subscriptions of Associate Members and Approved Participants may be reviewed from time to time by the Executive Board.

## **2. SELF-FINANCED ACTIVITIES**

Self-financed activities fall into two categories:

- **Mandatory activities:** These are activities considered essential to the majority of Members and/or where the active participation of all Members is necessary to maintain the quality of the service. In order to ensure the continuance and quality of these the Executive Board declares these activities mandatory for all Members. The funding of the necessary infrastructure costs of mandatory activities is secured or supported by mandatory charges levied on all Members, with participants bearing costs of operation that fluctuate with the level of activity.
- **User-pay activities:** These are activities which are not of universal interest to Members and which funded only by those Members (and other participants where appropriate) declaring an interest in their continuation through ongoing participation.

## 2.1 Mandatory Activities

### 2.1.1 Nature of Mandatory Activities

Mandatory Activities are determined by the Executive Board. These are reviewed periodically. Activities currently declared mandatory for all Members by the Executive Board are:

#### *Television Operations*

- Permanent News Network (PNN)
- Permanent Sound Network (PNS)
- Negotiation and administration of sports rights acquisition and contracts

#### *Radio Operations*

- Sport coordination
- News coordination
- Pink offers (funded by the Professional Association)\*.

\*also available to Radio Associate Members.

### 2.1.2 Cost-sharing of Mandatory Activities

The basis of sharing the cost of all mandatory charges to support the infrastructure for mandatory activities between Members is set with reference to Basic Units (described below).

The EBU Sports Rights Rules sets out the basis of sharing the cost of core sports rights and also sets out the basis on which a commission may be charged on Member contributions to the acquisition of core rights to support the infrastructure costs of the Sports Department.

The basis of charging Members for multilateral transmissions of sports events relating to core sports rights procured by the EBU is set with reference to Basic Units.

## 2.2 User Pay Activities

User Pay activities are activities or projects that are not of universal interest to Members. They are either:

- Available only to Members and funded by those Members declaring an interest in their continuation through continued participation, or
- Available to Members and non-members and funded subscriptions or tariffs.

User-pay projects will normally bear the total cost of the activity, including fixed costs and overheads and any development costs.

User-pay projects must be self-financing.

The sharing of the total cost of a project among participants must be determined by the group managing the project before any financial or contractual obligations are entered into.

Any modification of the above principles shall be approved by the Executive Board following a request by the Director General.

User Pay projects and activities vary from time to time. At present these include:

- **Activities for which costs are shared on a basis set by the relevant EBU Department Director with reference to Basic Units:**
  - The Eurovision Song Contest
  - Other TV co-productions
  - Special Sports Operations
  
- **Activities for which costs are shared based on tariffs by the relevant EBU Department Director and agreed with the Euroradio User Group:**
  - Euroradio Seasons & Summer Festivals (available to Radio Associate Members)
  - Euroclassic Notturmo

- **Activities that may be commercial or available to third parties for which tariffs are set by the relevant EBU Department Director:**
  - Services provided by the EBU offices and subsidiaries
  - Special News Operations (News Events)
  - Technical services
  - Strategic Events
  - Eurovision Academy (partially funded by participant contributions)

## **2.3 Cost-sharing of self-financed activities**

### **2.3.1 Basis of cost sharing**

The principle of solidarity among EBU Active Members in sharing costs for certain activities is reflected in the application of Basic Units. The basis of cost-sharing for all mandatory charges, TV co-productions (including the Eurovision Song Contest) and Special Sports Operations is set with reference to Basic Units,

Costs of self-financing activities that are not shared with reference to basic units are allocated or charged on a basis or tariff agreed with the relevant Member bodies or set by the Executive Board, Director General or appropriate EBU Department Director as is appropriate to each activity.

### **2.3.2 Basic Units**

Basic Units are attributed to Members in accordance with the Eurovision Basic Sharing Scale adopted by the Executive Board (see [Annexe 3](#) hereto). The Eurovision Basic Sharing Scale is derived from the number of TV households in each country.

In determining the potential audience in terms of the number of households equipped with a television set the decisive date is 1 January of the year preceding the financial year in question.

In countries where there is more than one Eurovision Member - leaving aside consortia of Members operating transnational programme services - the Members shall share equally the Basic Units allocated to their country, unless the Director General has been informed, by 30 September of the preceding year, of a mutually agreed alternative sharing key.

As regards consortia of Members operating a pan-European service, the method used to calculate Basic Units takes account of only 25% of the units applicable on the basis of their potential audience.

Any modification to the basis of calculation of Basic Units requires Executive Board approval following review by the Finance Group.

### **3. PAYMENT OF MEMBERS' FINANCIAL OBLIGATIONS**

#### **3.1 Membership fees, subscriptions, contributions**

- 3.1.1 The membership fees of Active Members are payable at the beginning of the financial year. However, as long as payment is made at least quarterly, in advance, Members shall not be liable for interest on such late payments.
- 3.1.2 The subscriptions of Associate Members and Approved Participants, as well as additional group members admitted under Article 3.16, must be settled in a single, annual payment, in advance.
- 3.1.3 Members' contributions to the funding of EBU mandatory activities - notably Eurovision and Euroradio - are payable in accordance with the procedures laid down in 4.2 below.

#### **3.2 Members' other commitments**

Unless the Executive Board adopts special measures, Members' commitments with respect to Operational and User-Pays projects which result from cost-sharing or rates fixed at the beginning of the year or per operation (rights, equipment, production, coordination) are payable by the deadline indicated on each invoice issued by the Permanent Services.



### **3.3 Treatment of Members' (including Associate Members') outstanding debts**

Pursuant to Article 17.10 of the Statutes, the following provisions shall apply:

#### **3.3.1 Debts older than 90 days**

In case of any invoice not paid within 90 days of the date of issue, or more than 60 days overdue, the debtor will receive a final warning from the Chief Financial and Administrative Officer that sanctions in accordance with the EBU Statutes, Bye-Laws and Code of Finance will apply if the overdue debt is not paid.

The Chief Financial & Administrative Officer may initiate procedures, including blacklisting, to limit growth in the amount of debt due to the EBU. The Member will continue to be invoiced for membership and mandatory fees, sports rights and other obligations to the EBU and interest charges.

#### **3.3.2 Debts older than 150 days (Sanction Level 1)**

Any invoice not paid within 150 days of the date of issue or more than 120 days overdue shall cause the debtor additionally to be denied access to some services and meetings. The services and meetings in question shall be selected carefully to cause inconvenience rather than a serious impact, but unless the Director General determines otherwise they will include access to unilateral transmissions and special news and sports operations. Moreover, the Member will not be able to offer a candidate for election or re-election to any EBU Governance Body or Group or Committee. At EBU discretion participation in new Sports Rights may be withheld or may be granted subject to terms requiring payment of instalments four months in advance of the date the EBU is obliged to make payment for the rights.

#### **3.3.3 Debts older than 210 days (Sanction Level 2)**

Any invoice not paid within 210 days of the date of issue or more than 180 days overdue shall cause the debtor, in addition to the sanctions noted above, to be denied access to all services, including the Eurovision Song Contest and sports events, and all other multilateral activity except multilaterals for Sports Events to which the Member has subscribed for rights that have been paid in full (including interest on late payments). Access to the PNN shall be maintained. However, access

to the Eurovision Song Contest and sports events may be allowed if an agreed payment plan is in place with an established record of adherence (usually two months of payments under the plan) prior to the final Eurovision Song Contest commitment date (the withdrawal deadline) or the date of the sports event.

Access will continue to be allowed to all Assemblies, including the General Assembly and News, Sports, Legal and Public Affairs, Radio, Television, Technical and Finance Assemblies, but not to other specialist groups or committees; attendance at Reference Groups will be decided on a case-by-case basis by the relevant Group Chairman and EBU Director.

Additionally, any unpaid sports rights obligations shall mean that the EBU will be free to offer these to the market for re-sale. If the EBU resells the rights the Member remains liable to the EBU for any shortfall between the consideration received and the amount guaranteed by the Member. This provision does not give the Member any right unilaterally to withdraw from any Sports Rights obligation.

#### 3.3.4 Debts older than 270 days (Sanction Level 3)

In case of any invoice not paid within 270 days of the date of issue or more than 240 days overdue, access to the PNN shall be suspended, and the Executive Board shall automatically be asked to consider recommending to the General Assembly that the Member be expelled.

#### 3.3.5 Lifting of Sanctions

Sanctions imposed upon a Member shall remain in force until the Member has regularized its financial position (i.e. it no longer has any debt older than 90 days or more than 60 days overdue) or an agreed payment plan is in place and is being adhered to.

#### 3.3.6 Members and Associate Members on payment plan or with debts older than 90 days

At EBU discretion participation in new Sports Rights may be granted subject to terms requiring payment of instalments four months in advance of the date the EBU is obliged to make payment for the rights.

### **3.4 Interest on arrears**

- 3.4.1 For all invoices, interest on arrears is applied from 60 days after the invoice due date, except for sports rights invoices, where interest on arrears is chargeable if the invoice is not paid by the due date. The rate of interest shall be LIBOR + 3% when the EBU's cash balance in the invoiced currency is positive. Should the EBU need to borrow in a particular currency, the rate of interest shall be LIBOR + 6%.
- 3.4.2 A Member which is legally prevented from paying interest is obliged immediately to declare this to the EBU Chief Financial and Administrative Officer. In line with the solidarity principle, any such Member must also commit in writing instead to paying management charges for the administration of overdue receivables of equivalent value or making some other acceptable form of restitution. If interest charges are not paid and no such commitment is received, all future services (including new Sports Rights contracts) will be provided only following pre-payment of the full amounts due.
- 3.4.3 The Chief Financial and Administrative Officer may suspend the imposition of interest or agree some other form of payment plan on arrears in the case of specific debtors facing special circumstances of financial hardship. If such a payment plan, once agreed, is not respected, it will be regarded as cancelled, and the Member shall be subject to the sanctions appropriate to the age of the oldest debt.

### **3.5 Objections regarding invoices**

Members have 30 days following the date of issue of a given invoice to notify the Permanent Services of any queries, objections or requests for correction. It is not possible to act on objections received after that period. If an invoice is queried, this will be taken into account when the application of sanctions is considered. Interest or other charges shall not be charged on disputed invoices.

Interest or other charges will, however, continue to be charged if payment is delayed because the Member did not request a contract or invoice amendment in time for the invoice to be reissued prior to the due date.

### **3.6 Net payment**

Any amounts charged by the EBU to its Members, Approved Participants or third parties must be paid net, free of any withholding taxes or other charges. If any invoice settlement is reduced by withholding taxes or other charges, interest charges and sanctions shall be applied on the outstanding balance in the same manner as for any other overdue debt.

The EBU shall make reasonable efforts, especially under reciprocal non-taxation treaties, to assist the debtor in recovering sums payable on account of such taxes or other charges.

Members may invoke this principle in their relations with other Members when the same situation arises.

## **4. EBU TREASURY POLICY**

The EBU shall maintain a treasury policy under the responsibility of the Finance Group in accordance with Article 7.11.2 of the EBU Statutes. The text shall be made available to Members upon request.

The EBU treasury policy governs the management of all monies held by the EBU on its own account or on behalf of Members.

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### **3 Annexes**

**MEMBERSHIP UNIT SCALE**

(Based on Members' Total Annual Expenditure in CHF Millions)

From	To	Units
0	10	1
10	30	2
30	70	3
70	130	4
130	210	5
210	310	6
310	430	7
430	570	8
570	730	9
730	910	10
910	1'110	11
1'110	1'310	12
1'310	1'510	13
1'510	1'710	14
1'710	1'910	15
1'910	2'110	16
2'110	2'310	17
2'310	2'510	18
2'510	2'710	19
2'710	2'910	20
2'910	3'210	21
3'210	3'510	22
3'510	3'810	23
3'810	4'110	24
4'110	4'410	25
4'410	4'710	26
4'710	5'010	27
5'010	5'310	28
5'310	5'610	29
5'610	5'910	30
5'910	6'210	31
6'210	6'510	32
6'510	6'810	33
6'810	7'110	34
7'110	7'410	35
7'410	7'710	36
7'710	8'010	37
8'010	8'310	38
8'310	8'610	39
8'610	8'910	40
8'910	9'210	41

**MEMBERSHIP UNIT SCALE**

(Based on Members' Total Annual Expenditure in CHF Millions)

From	To	Units
9'210	9'510	42
9'510	9'810	43
9'810	10'110	44
10'110	10'410	45
10'410	10'710	46
10'710	11'010	47
11'010	11'310	48
11'310	11'610	49
11'610	11'910	50
11'910	12'310	51
12'310	12'710	52
12'710	13'110	53
13'110	13'510	54
13'510	13'910	55
13'910	14'310	56
14'310	14'710	57
14'710	15'110	58
15'110	15'510	59
15'510	15'910	60
15'910	16'310	61
16'310	16'710	62
16'710	17'110	63
17'110	17'510	64
17'510	17'910	65
17'910	18'310	66
18'310	18'710	67
18'710	19'110	68
19'110	19'510	69
19'510	19'910	70
19'910	20'310	71
20'310	20'710	72
20'710	21'110	73
21'110	21'510	74
21'510	21'910	75
21'910	22'310	76
22'310	22'710	77
22'710	23'110	78
23'110	23'510	79
23'510	23'910	80
23'910		81

**SCALE OF ASSOCIATE MEMBERS' SUBSCRIPTIONS**

The Executive Board shall fix, and review from time to time as appropriate, the annual subscriptions of Associate Members taking into account the value of the EBU services to the recipient and the latter's financial capacities. On the basis of this assessment, the Board will be responsible for assigning the appropriate scale level for the Associate Member within the following subscription scale:

<b>Scale level</b>	<b>Subscription CHF</b>
1	5,000
2	10,000
3	15,000
4	20,000
5	25,000
6	30,000
7	35,000
8	40,000
9	45,000
10	50,000
11	55,000
12	60,000
13	65,000
14	70,000
15	75,000

**EUROVISION BASIC SHARING SCALE**

Derived from the formula: Number of TV households divided by 10,000

<u>TV licences</u>	<u>Units</u>
0	1
10,001	2
40,001	3
90,001	4
160,001	5
250,001	6
360,001	7
490,001	8
640,001	9
810,001	10
1,000,001	11
1,210,001	12
1,440,001	13
1,690,001	14
1,960,001	15
2,250,001	16
2,560,001	17
2,890,001	18
3,240,001	19
3,610,001	20
4,000,001	21
4,410,001	22
4,840,001	23
5,290,001	24
5,760,001	25
6,250,001	26
6,760,001	27
7,290,001	28
7,840,001	29
8,410,001	30
9,000,001	31
9,610,001	32
10,240,001	33
10,890,001	34
11,560,001	35
12,250,001	36
12,960,001	37
13,690,001	38
14,440,001	39
15,210,001	40
16,000,001	41
16,810,001	42
17,640,001	43
18,490,001	44
19,360,001	45
20,250,001	46
21,160,001	47
22,090,001	48
23,040,001	49
24,010,001	50

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