

TRADEMARK

cosbots

Copyright Society of Botswana

Annual Report 2018-2019

COPYRIGHT

LEGISLATION

AUTHOR

ORIGINAL

LAW

THE COPYRIGHT SOCIETY OF BOTSWANA

Copyright Society of Botswana is a Collective Management Organisation registered in 2008 as a Company limited by guarantee. COSBOTS is regulated by Copyright and Neighbouring Rights Act CAP 68:02 and is mandated to license and collect royalties from users of copyright protected works to distribute to right owners.

Vision

To be the best Collective Management Organisation

Mission

We empower creativity

Values

Botho

Integrity

Transparency

Accountability

Results Driven

Team work

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CHAIRMANS' REPORT



Mr. Patrick Setsiba

Dear Members

On behalf of the Board of Directors, I wish to thank all Copyright Society of Botswana Members and Users of copyright material for yet another successful year. The financial period 2018- 2019 provided us with the opportunity to know with confidence that great achievements are possible, provided that there is a concerted effort and collaboration among key stakeholders, which include, but are not limited to right holders, Companies and Intellectual Property Agency (CIPA) “the Regulator’ , various Government institutions, the Board, Management and Staff. This effort speaks to the great African proverb that, “If You want to go fast, go alone, if you want to go far, go together.” This collaborative effort has also brought about the desired improvements in good governance. Today, organisations like ours are expected to take actions that have a beneficial effect on all stakeholders, and that include employees, stakeholders like suppliers, and the community at large. A strong compliance culture correlates equally with improved performance. For example, an organisation that is seen to be stable, reliable and able to mitigate potential risks will be able to borrow funds at a lower rate than those with weak corporate governance.

We have noted how our strengthened corporate governance culture has had a marked improvement on the working relationship that we have with our major Stakeholders, including the creative industry associations, Botswana Government and CIPA as already mentioned elsewhere in my report. In an effort to maintain assured compliance with provisions of such instructive documents as the King IV Code on Corporate Governance, the Board and Management have been able to show better corporate results year on year.

STRATEGIC FOCUS

The local creative industry backdrop remains volatile. This is due to its unstructured nature, where there is lack of a strong policy framework and a missing organized mouthpiece in the form of strong industry associations and interest groups. Over the past year, developments, such as market pressures that resulted in the company revising its tariffs, the challenges being brought about by the digitization of the industry, reinforce the need for us to remain agile and focused in the way we pursue our strategic goals. We must concentrate on getting the right balance between exploring new opportunities and developing those areas where we are already good in. It is the Board's responsibility to ensure the executive team is making the right business decisions to achieve this.

At the beginning of the financial year, we undertook a review of the company's three-year strategy, which I wish to point out is in its final year. We endeavoured to refine it to ensure COSBOTS is robust, yet agile and flexible enough to grow in an uncertain environment. The review reconfirmed the benefits of a more focused and collaborative organisation. I believe this, together with our continued investment in technology-based tools such as the music monitoring system that we procured from BMAT, refined organizational infrastructure and our people, will help us create long term value for our members and stakeholders alike.

VALUES AND CULTURE

A key part of the Board's role is to take effective steps in shaping and developing a healthy corporate culture. During the year, we continued to enhance governance and compliance with the ongoing embedding of our code of ethics. Our Nominations and Governance Committee reports to the Board, demonstrating our commitment to doing the right thing and holding those who are found lacking in this area accountable.

The welfare of our members remains a key priority for the Board. In pursuance of this priority, the Board has set up a Social and Cultural fund to help deal with the welfare issues of our members as well as promote the cultural aspects of the creative industry of which we are an integral part. Towards the end of the year, and recognising the importance of driving continuous improvement of the lives of our members, we developed rules to regulate the affairs of the fund. For 2019-2020 the key goal is to ensure that we explore various ways to promote the cultural aspects of the industry in a sustainable way, bearing in mind that running a sustainable business has long been at the heart of the COSBOTS culture.

MEMBERS' CODE OF CONDUCT

For any business to thrive, the conduct of its members is critical. As such, COSBOTS has developed a Members Code of Conduct. This document has already been circulated to members, and the same copy is available online on our website. The document sets out the standards of professional behaviours expected of all participants in the arts industry, and more specifically sets out rules outlining expected conduct at meetings of members.

MEMBER UPDATE AND TOWN HALL MEETINGS

Our observation as the Board since coming into office in 2017 has been that meaningful engagements with our Members was at an all time low, which has ostensibly caused contestation and strained relations between the COSBOTS Board, management and staff on one side and its members on the other. This hostility has created room for users to find excuses not to comply with the law by not paying for use of our members' original works. We however, continue to pursue these defaulters with vigor and in a meaningful manner.

I am delighted to note and extremely proud as well that the Board together with management took a decision to do a country-wide tour to update members on the status of the company. In August 2019 we managed to visit the country's main towns, which included Maun, Ghanzi, Gaborone and Francistown as part of the Board's initiative to brief members on the operational status of the company and also receive feedback from members on how best we could improve our business model to better serve them as our primary customers. The aggregation of the feedback obtained at these gatherings will be handy in developing our new strategy going forward.

BOARD MATTERS

Due to the complex nature of today's business world, which presents a range of risks and opportunities that include financial, operational, commercial, geopolitical and environmental, it is essential therefore, to maintain the right mix of attributes and skills on the Board to effectively monitor and manage these and work with the executive team to deliver the company's strategy. We understand that to do this it is necessary to keep the membership of the Board refreshed to meet the changing needs of the business over time.

On behalf of the Board, I would like to thank Mr. Tomeletso Sereetsi who stepped down from the Chairmanship of the Board on 30th June 2019, for the dedication and commitment he displayed towards the business of this company. Despite stepping down, we are delighted that Mr. Sereetsi remains on the Board as an ordinary member and we continue to benefit from his wise counsel in deliberations at our Board meetings.

The Board is extremely pleased to have welcomed Mr. Onnalenna Gaontebale to COSBOTS. Mr. Gaontable has made early contributions to the Board's activities. He was appointed as the Documentation and Distribution manager on 13th May 2019, joining us from I-TECH where he performed a number of senior roles as a Health Informatics Manager. He brings strong credentials in information systems leadership along with experience on digital records management coupled with commercial awareness to COSBOTS.

COMPANY PERFORMANCE

We saw an improved performance this year despite operating in a very tough market, as we start to benefit from our technology strengths and from the decisive action taken last year to improve our efficiency. Our strong customer focused staff enabled us to outperform our set targets in key performance indices, particularly in revenue generation, in spite of our lower tariffs, which in some cases were cut by up to 45%. We have made good progress in building our platforms in future growth drivers; we are speaking with industry partners to see how they can assist us with collecting royalties from Digital Service Providers. We are also looking at collecting royalties from public service transport operators, a market that has up to now remained largely untapped.

As always, it is our employees that have delivered the inspiring work of licensing users that has improved the company's performance and help enhance members' lives. On behalf of all our members, I would like to thank them for their hard work and commitment over the past 12 months. It is fitting, that we also pay tribute to the people who have worked for the company in the past for the part they have played in making COSBOTS the great success it is today.

OUTLOOK

COSBOTS represents the best of culture, heritage and the creative industry as a whole. Our ability to navigate change and adapt to uncertainty has always been, and continues to be a huge strength. With that strong foundation we will continue to use our expertise to provide a modest living for our members, improved social structure and more efficient use of the company resources to enable a better return for our right holders. We will achieve this through investing for enduring long term impact, positioning our business to deliver strong, consistent and sustainable results, holding ourselves accountable for our responsibilities and putting our people first.

In that context, 2019/20 will see us further strengthen our business. COSBOTS' primary role of collecting and distributing royalties to creators of copyright works and the secondary role of providing solutions to major industry challenges of our time are as relevant today as they were in 1966 when Botswana gained independence from the United Kingdom. I believe that COSBOTS is well positioned to deliver long term performance for our members and various other stakeholders alike.

I lastly, would like to take this time to thank our members for their support and for entrusting the Board and Management with the running of the company. We urge artists and creators of copyright works to continue to declare their new works. We are happy that artists are now embracing the online platforms and wish users can do likewise in applying for licenses that permit them to lawfully exploit the works belonging to right – holders through our website.

CHIEF EXECUTIVE OFFICERS' REPORT



Mr Lesego Kaelo Selotatse

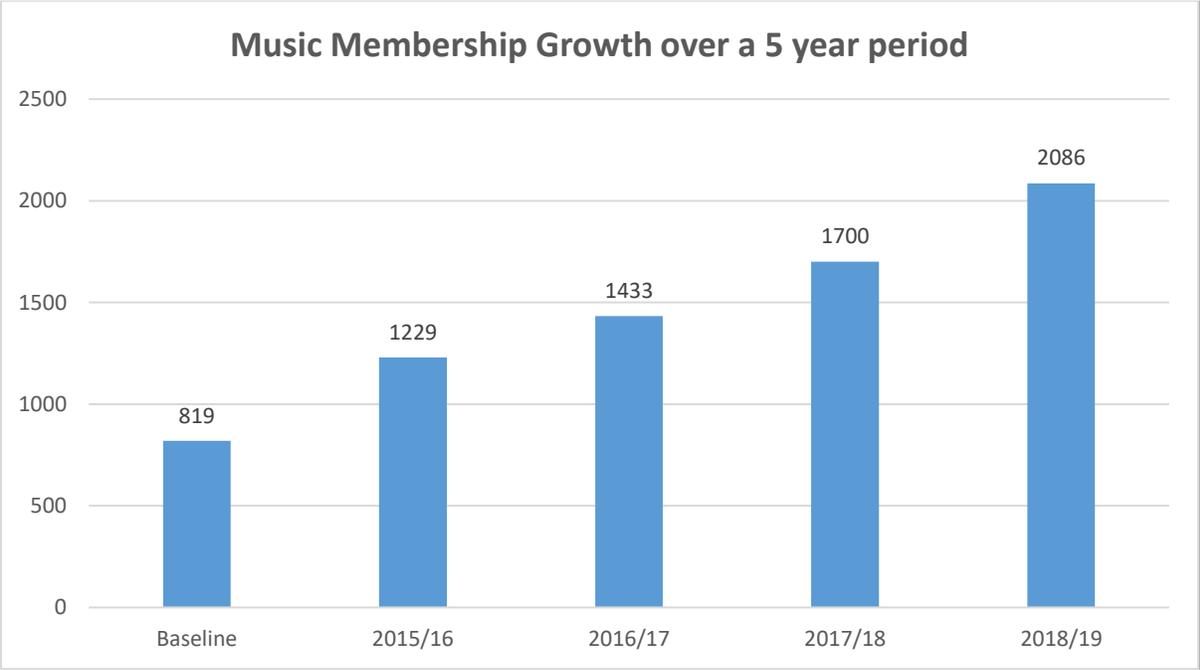
It has been a great privilege to work as Chief Executive Officer of the Copyright Society of Botswana over the two years since I was first appointed to the position. The pages of this report show how far COSBOTS has come during that time and how today it is successfully adapting for the enormous challenges of the future. This report is reflective of how COSBOTS is working to promote the interests of its members and multitudes of other creators that it serves across the world through other sister organizations.

The last year has been hugely important for all who make a living or a business out of creativity and culture, following the ascension to the Presidency of His Excellency, Dr. MEK Masisi, who himself is an artist in his own right, having participated in a number of theatrical performances in his heyday. On the 18th July 2019 the President hosted the Creative & Arts Industry at the State House for a brunch. At that event he shared some of his plans for the industry and engaged with them on their issues to help the industry grow. This was certainly a momentous occasion and gave a ray of hope to the creative industry as a whole.

The Botswana economy has like those of a number of its neighbours; Namibia, Zimbabwe, Zambia and its largest trading partner South Africa experienced commercial headwinds that have retarded economic growth and resulted in volatility in the market; in a number of cases small enterprises that form the backbone of commerce in Botswana have closed down due to the economic pressures and many have defaulted on

payments and been closed down through legal sequestrations. The prevailing economic climate has affected incomes generated through public performances, be it broadcasting, live concerts, retail outlets, and the list goes on. This muted economic performance directly affected the financial performance of businesses that COSBOTS relies on to collect license fees. This in turn presents an existential threat to the income streams of the company causing COSBOTS to experience a dip in income.

The COSBOTS membership numbers increased to 2086 members in 2019 as we continued to administer rights by collecting license fees and distribute royalties. Our total income decreased by 9.01% to P11million (2018: P12.2 million). The decrease was significantly influenced by the decline in our licensing revenue – which constitutes 99% of our total income. As previously mentioned and reiterated in the Chairman’s report, market pressures that resulted in the company having to revise its tariffs by a significant margin had a knock-on effect on licensing revenues. These obviously affected our distributable income in the current period. Containing our expenses enabled us to perform at the same level as the prior year. However, the decline in income from licensing fees still affected overall costs and led to cost-to-income ratio of 64% (2018: 60%).



COSBOTS has increased its investment income by 100% to P93, 000 (2018: Nil). This increase was due to the proceeds of licensing income received from the national broadcaster (Department of Broadcasting Services). We took a cautious investment approach due to a myriad of strategic considerations. The company deposited its excess cash into short-term investments such as call accounts and fixed deposit accounts.

DISTRIBUTION OF ROYALTIES

Over the period April 2018 to September 2018, which is the time frame covering distribution 11, the Net Distributable Revenue (NDR) was P2, 941,555.00. The calculation and payment of royalties are dictated

by legal and contractual obligations and the payment therefore, is done in accordance with the principle of equality of treatment of all artists. Article 3 of the TRIPS Agreement references “assimilation” of foreign artists to national artists or to “national treatment” and these two correspond to the equality of treatment. I mention this to emphasise that the Net Distributable Revenue is divided between local and foreign repertoire according to the usage of the music over any given period.

OPTIMISATION OF THE BUSINESS MODEL

For COSBOTS to be able to achieve a fair and equitable distribution, it needs to be able to have as accurate information as possible on the usage of music, which COSBOTS will match to the membership information in its database. This therefore, means that the organization also needs to have detailed member information that will be sufficient for to use in the process of matching. The absence of adequate information both from a user perspective as well as from members, makes it difficult to distribute as it impacts the operational efficiencies of the organization.

The Board and management revised the strategy to optimize the company’s current business processes, diversify and pursue innovation, which is mentioned in the next part of my report. These initiatives will act as a catalyst propelling COSBOTS to become a member-centric organization, hence achieve increased distributions, efficiency and greater ability to generate more revenue.

Another key objective pursued by the Board to optimize the business, was to strengthen our management team with highly motivated individuals who are professionals in their right and have solid knowledge of the industry and our members’ interests. The enhanced competencies of our management team will be an integral driver of our business in future.

Music Licensing continues to be at the forefront of collections of the organisation. In an effort to increase revenue, the prospect of using contracted third party agents to license users on behalf of COSBOTS is under serious consideration by management. Before such an initiative is implemented there is need to put in place certain processes such as how COSBOTS will be paid, obtain a support letter from the Ministry of Trade, which the agents would then use to lend credence to the work that they will be carrying out. The above initiative will run parallel with the initiative that the organisation is pursuing with the Ministry of Local Government, which seeks to use the existing infrastructure of the Ministry and take advantage of its geographical reach to aid in the process of licensing users that are located in remote areas not easily accessible by the small COSBOTS licensing team.

INNOVATION

To surmount the challenges mentioned under distribution, especially the challenge of obtaining accurate information about usage of music, COSBOTS has engaged the services of BMAT Licensing, S.L.U. (BMAT), a Spanish company based in Madrid to provide it with monitoring services. The services of BMAT cover music monitoring that encompasses audio identification across radios, TVs and venues, using the company’s in-house solution called VERICAST based on audio fingerprinting technology. BMAT’s system has the ability to enrich the matched reports with customers’ identification codes thus providing COSBOTS with tailored reports for use in its daily operations. Technology lies at the heart of our capacity to distribute fairly and equitably and therefore we need to ensure that our operational

platforms are enabled from a technology point of view to accommodate our members' needs for faster and more accurate processes, which in turn will lead to improved distributions.

COSBOTS' focus on robust administrative processes and improvements through the investment in technology-based tools such as the BMAT monitoring system, includes the use of risk mitigation strategies and continuous strengthening of the general internal control environment.

UNMATCHED PERFORMANCES

Efforts are already in place to identify the rightful owners of the unmatched works. We undertake an exhaustive process of research on the information available to us to identify the respective artist and where we are successful, we release the money to the member. If after exhausting all avenues we are still unable to identify the owner of the works after seven years, the amount is distributed with 100 percent expenses applied, thereby allowing the company to use the funds to cover the expense of operating the business for the benefit of all members.

As part of efforts to identify artists whose works are being used, we shall publish the works for artists to identify themselves as owners of the works for local artists and shall enlist the assistance of other industry peers to assist in identifying works of foreign artists.

We are embarking on a Know-Your-Customer (KYC) exercise that is geared at identifying new members and getting existing members to register their new works, which exercise we are confident will reduce the extent of our unmatched performances.

The automation of our radio and television monitoring services will give us access to the metadata of artists and make it easier for us to identify owners of works, which goes unmatched in our database. ^(SEP)

CONSTITUTION

After some wide consultations with our members, the draft constitution has been adopted by the Board and will be placed before the general membership of COSBOTS for consideration and approval at a meeting that will be called for purposes of discussing this document.

STAKEHOLDER RELATIONS

COSBOTS has been successful in building and strengthening relationships with overseas and cross border collecting societies, and its various stakeholders, especially those who depend upon the success of COSBOTS and upon whom our success is similarly dependent. This has allowed us to have a clear strategy on how best to deal with each of our key stakeholders.

At present, management has signed reciprocal agreements for the major labels that IFPI represents. Once the Company constitution changes, management will therefore, be obliged to pay royalties in respect of the international repertoire that are represented by these major labels. This forms part of management's commitment to building relationships within our industry and follow international best practice.

TRAINING AND STAFF WELFARE

One of the company's key strategic objective is to build a culture of high-performance and to boost staff morale. To this end the organization enrolled staff on several training courses as part of professional

development. In addition, the company arranged for staff participation in team building exercises intended at improving staff morale to ensure excellence in service delivery and development of cognitive skills.

FORENSIC AUDIT

The Board and management are aware of some of the concerns raised by members regarding the delay in releasing the much anticipated forensic report, there is even talk that the Board is frustrating the forensic report. I can assure members that there is no such intention by the Board or Management to bury the forensic report. The factual position is that the report is still with the various law enforcement agencies that are reviewing the document and conducting the necessary investigations.

We should all appreciate that the forensic audit is beyond COSBOTS and some of the concerned members, but it is now entirely about the integrity of the institutions involved. It is therefore, important that we let the DCEC and others that are involved to do a proper job without interference.

DIVERSIFICATION

COSBOTS intends to, in the future, focus its efforts on promoting Botswana repertoire to overseas markets. This will enable COSBOTS to collect royalties from other societies and in some case this could be in hard currency further enhancing the prospects of local artists to make a better living from their craft.

OUTLOOK

COSBOTS continues to advocate for fair copyright laws on behalf of rights holders, and to expand the ways we can provide value added services to the creative industry. Above all, we remain committed to facilitating the use of local content in the broadcast programme of our local radio and television stations to ensure a fair and equitable payment to rights holders.

Furthermore, as part of the organisations strategic objective of improving internal processes, the Board approved the acquisition of the Tenacle Licensing system. This system is a digital platform intended to improve information services and data accuracy as well as improve business efficiency. With this system, COSBOTS will find it easier to license from across the country.

As we aim to bring about greater enforcement and ensure that our major users are conforming with provisions of the law and paying for use of copyright works, COSBOTS is pursuing delinquent payers and taking legal action against them as part of enforcement of our rights.

We see the need to constantly assess and review our progress and to convert our current plans into a forward looking and more futuristic strategy. We will continue to work with our industry partners to advocate for fair copyright laws, and work closely with Government and our stakeholders to create practical outcomes for our members.

We would like to underscore the commendable efforts of members in registering their works in large numbers, which has also contributed to them being more conscientious in demanding more in the way that the affairs of the organization are run, and working with us to ensure that there is continuous improvement in the manner in which royalty payments are done. We will monitor our progress against the current strategic plan.

Top amongst our priorities is to maintain an understanding of our members and stakeholders' expectations, embedding the soon to be developed strategy and enhancing our technology capabilities. These objectives will enable COSBOTS to achieve improved efficiency and financial health characterized by increased revenue growth, distributions and ultimately an improved cost-to-income ratio.

APPRECIATION

In conclusion, I would like to express my sincere gratitude to those who helped facilitate the achievements of our organizational goals, and thank those that urged us to push boundaries in ensuring that our operations are efficient and we provide stellar services to our members and all our key stakeholders alike. We would like to provide assurance to our members that we are totally committed to adhering to the highest possible corporate governance standards and practices.

I cannot stress enough how our members and stakeholders provide the bedrock of our organization and as such, we are eternally grateful for their continued support. I thank all COSBOTS employees for their selflessness, unwavering dedication and total commitment to the cause that COSBOTS stands for, especially during these trying times. I salute the Board's contributions to shaping COSBOTS into a better organization, I appreciate greatly their guidance and oversight, which was pivotal in assisting the management team to drive the company forward.



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