



SOCAN

**SOCAN's**  
**2008 ANNUAL REPORT**  
**TO MEMBERS**  
**GOVERNANCE DISCLOSURE &**  
**MANAGEMENT**  
**REVIEW**



## 2008 ANNUAL REPORT TO MEMBERS

SUBJECT	SPECIFICS
<b>Board Composition</b>	
<b>Number of Directors</b>	The business and affairs of the Society shall be managed by a Board of Directors consisting of eighteen (18) Directors, nine (9) of whom shall be Writer Members and nine (9) of whom shall be Publisher Members. The Board shall be elected or appointed as the case may be in accordance with this By-law. The Board shall have the authority to appoint, from the Members, additional Directors provided that any appointments are made in pairs, namely, one (1) Writer Member appointment and one (1) Publisher Member appointment. The maximum number of additional appointments by the Board at each election shall be six (6).
<b>Qualification</b>	In addition to any qualifications provided by the Act and by this By-law or any of the other By-laws, the eighteen (18) Directors referred to shall meet the qualifications set out in this section.
<b>Regional Representation</b>	The regional representation on the Board shall be as follows: <ul style="list-style-type: none"> <li>a) Three (3) Directors shall reside in the West. The "West" shall mean the provinces of Manitoba, Saskatchewan, Alberta, British Columbia, and the Northwest Territories, Yukon and Nunavut. Two (2) of these Directors shall be Writer Members and one (1) shall be a Publisher Member.</li> <li>b) Six (6) Directors shall reside in the Province of Quebec. Three (3) of these shall be Writer Members and three (3) shall be Publisher Members.</li> <li>c) Nine (9) Directors shall reside in the East. The "East" shall mean the provinces of Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. Four (4) shall be Writer Members and five (5) shall be Publisher Members.</li> <li>d) "Reside" shall mean, in the case of a Writer Member, the place where the Writer Member has his/her principal residence and in the case of a Publisher Member, the place within Canada where the Publisher Member carries on business.</li> </ul>
<b>Francophone Representation</b>	The Francophone representation on the Board shall be as follows: <ul style="list-style-type: none"> <li>a) Six (6) Directors shall be Francophone.</li> <li>b) "Francophone" shall mean, in the case of a Writer Member, an individual who declares himself/herself a Francophone for the purposes of the nomination procedures and, in the case of a Publisher Member, a music publishing business that declares itself to be a Francophone music publisher.</li> </ul>
<b>New Classical Music Representation</b>	The New Classical Music representation on the Board shall be as follows: <ul style="list-style-type: none"> <li>a) Two (2) Directors shall be writers of New Classical Music and one (1) Director shall be a Publisher Member of New Classical Music.</li> <li>b) "New Classical Music" shall mean, in the case of a writer, a composer who declares himself/herself and is active as a New Classical Music writer and in the case of a publisher, an entity that declares itself and is active as a publisher of musical works created by New Classical Music writers.</li> <li>c) "New Classical Music" for the purpose of this Section V of this By-Law shall include but is not limited to music that is referred to by the music community as serious music, electroacoustic music, contemporary classical music, concert music or experimental music and that excludes music otherwise included in popular genres.</li> </ul>
<b>Music Other Than New Classical Music Representation</b>	<ul style="list-style-type: none"> <li>a) Five (5) Directors shall be writers of music other than New Classical Music, at least one (1) of whom shall reside in the West, at least two (2) of whom shall reside in the East and at least two (2) of whom shall reside in Quebec.</li> <li>b) "Music Other than New Classical Music" shall mean, in the case of a Writer, a Member who declares himself/herself a writer of music other than New Classical Music and who creates music or songs including, but not limited to, pop, country, rock, blues, folk, jazz, film and television music.</li> </ul>

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<b>Board of Directors</b>	<p><b>The role of the Board of Directors of SOCAN is to:</b></p> <ul style="list-style-type: none"> <li><b>Members</b> <ul style="list-style-type: none"> <li>▪ ensure on behalf of members that they are receiving value for their investment in SOCAN</li> <li>▪ convey the views of members to the Board and Management of SOCAN</li> <li>▪ vote for the best interests of SOCAN (all members)</li> <li>▪ sponsor and champion decisions of the Board of Directors to members and others</li> </ul> </li> <li><b>Strategy</b> <ul style="list-style-type: none"> <li>▪ ensure a strategic plan exists: work with management to develop the plan and approve it</li> <li>▪ monitor implementation of the plan; measure progress using performance indicators</li> </ul> </li> <li><b>Finances/Risk</b> <ul style="list-style-type: none"> <li>▪ ensure risk management framework is in place, including traditional Operational audit function having direct access to the directors</li> <li>▪ approve annual budget and monitor actual performance</li> </ul> </li> <li><b>Chief Executive Officer</b> <ul style="list-style-type: none"> <li>▪ work with Management to develop options and approve policy recommendations in the areas of corporate identity, government lobbying strategy, tariff proposals and distribution rules, and other areas as agreed, such as SOCAN Awards</li> </ul> </li> <li><b>Governance</b> <ul style="list-style-type: none"> <li>▪ establish a framework for information flowing from Management to the Board for Board decision making</li> <li>▪ after consulting CEO and others, take decisions regarding governance role, structures, processes and procedures</li> <li>▪ specifically, make decisions about ongoing Board of Director's information requirements, ensure new Board members are appropriately oriented to governance and ensure appropriate succession of the Board of Directors</li> <li>▪ propose By-law changes for approval by members, when appropriate</li> </ul> </li> </ul>																																																																																										
<b>Attendance at Board/ Committee Meetings</b>	<p>The Board of Directors has four scheduled meetings per year and in 2008 held one additional meeting.</p> <p>All Committees of the Board also meet four times a year, on a scheduled basis. The Executive Governance Committee meets generally three weeks before Board meetings to prepare the agenda for the board. Other Board Committees meet either the day before or the day after the Board meetings to minimize traveling expenses. Occasionally, a Committee may require more than the scheduled meetings to discharge of its mandate.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 30%;">January – December 2008</th> <th style="width: 10%;">Board Meetings</th> <th style="width: 10%;">Executive Governance Committee Meetings</th> <th style="width: 10%;">Risk ID &amp; Management Committee Meetings</th> <th style="width: 10%;">Tariff, Licensing &amp; Distribution Committee Meetings</th> <th style="width: 10%;">Membership Committee Meetings</th> </tr> </thead> <tbody> <tr> <td><b>Number of meetings held:</b></td> <td style="text-align: center;">(5)</td> <td style="text-align: center;">(6)</td> <td style="text-align: center;">(4)</td> <td style="text-align: center;">(4)</td> <td style="text-align: center;">(4)</td> </tr> <tr> <td colspan="6" style="text-align: center;"><b>Meeting Attendance</b></td> </tr> <tr> <td>Rosaire Archambault</td> <td style="text-align: center;">A, B</td> <td style="text-align: center;">4</td> <td style="text-align: center;">6</td> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td>François Cousineau</td> <td style="text-align: center;">B</td> <td style="text-align: center;">5</td> <td></td> <td style="text-align: center;">4</td> <td></td> </tr> <tr> <td>Paul Cram</td> <td style="text-align: center;">D</td> <td style="text-align: center;">5</td> <td></td> <td></td> <td style="text-align: center;">4</td> </tr> <tr> <td>Victor Davies</td> <td style="text-align: center;">C</td> <td style="text-align: center;">5</td> <td></td> <td style="text-align: center;">4</td> <td></td> </tr> <tr> <td>Jodie Fernyhough</td> <td style="text-align: center;">C</td> <td style="text-align: center;">5</td> <td></td> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td>Gary Furniss</td> <td style="text-align: center;">D</td> <td style="text-align: center;">5</td> <td></td> <td></td> <td style="text-align: center;">4</td> </tr> <tr> <td>Bill Henderson</td> <td style="text-align: center;">A, D</td> <td style="text-align: center;">5</td> <td style="text-align: center;">6</td> <td></td> <td style="text-align: center;">4</td> </tr> <tr> <td>Craig Horton</td> <td style="text-align: center;">B</td> <td style="text-align: center;">5</td> <td></td> <td style="text-align: center;">1<sup>2</sup></td> <td style="text-align: center;">1<sup>2</sup></td> </tr> <tr> <td>Michael McCarty</td> <td style="text-align: center;">C</td> <td style="text-align: center;">4</td> <td></td> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td>Stan Meissner</td> <td style="text-align: center;">A, B, C</td> <td style="text-align: center;">5</td> <td style="text-align: center;">6</td> <td style="text-align: center;">4</td> <td></td> </tr> <tr> <td>Sébastien Nasra</td> <td style="text-align: center;">C</td> <td style="text-align: center;">3</td> <td></td> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td>Pierre-Daniel Rheault<sup>1</sup></td> <td style="text-align: center;">A</td> <td style="text-align: center;">5</td> <td style="text-align: center;">6</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> </tbody> </table>	January – December 2008	Board Meetings	Executive Governance Committee Meetings	Risk ID & Management Committee Meetings	Tariff, Licensing & Distribution Committee Meetings	Membership Committee Meetings	<b>Number of meetings held:</b>	(5)	(6)	(4)	(4)	(4)	<b>Meeting Attendance</b>						Rosaire Archambault	A, B	4	6	3		François Cousineau	B	5		4		Paul Cram	D	5			4	Victor Davies	C	5		4		Jodie Fernyhough	C	5		3		Gary Furniss	D	5			4	Bill Henderson	A, D	5	6		4	Craig Horton	B	5		1 <sup>2</sup>	1 <sup>2</sup>	Michael McCarty	C	4		3		Stan Meissner	A, B, C	5	6	4		Sébastien Nasra	C	3		3		Pierre-Daniel Rheault <sup>1</sup>	A	5	6	4	4
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<b>Strategic Plan</b>	<p>In conjunction with Management, the Board elaborates and approves SOCAN's Strategic Plan. The Plan is the roadmap to SOCAN's future success and the blueprint against which the company's business activities, both operations and corporate initiatives are measured.</p> <p>The first Strategic Plan was developed in 2000. In 2005, it was felt that a new plan was needed to reflect the internal and external changes that had occurred since the beginning of the millennium. The new plan, approved on September 20, 2005, put forward 23 distinct key strategies to attain the long-term objectives that the Board has set, grouped into the following areas:</p> <ul style="list-style-type: none"> <li>▪ Service to Members</li> <li>▪ Industry Leadership</li> <li>▪ Growth The Future</li> <li>▪ Human Resources</li> <li>▪ Infrastructure</li> <li>▪ Public Advocacy &amp; Policy</li> </ul> <p>SOCAN's Corporate (business) Planning Process and annual budgets flow directly from the Strategic Plan. Hence there is a need to continually ensure its validity and appropriateness, something that is accomplished through an annual "review and refresh" of the Plan.</p>																																																						
<b>Code of Conduct for Directors</b>	<ol style="list-style-type: none"> <li>1. Act in the overall best interests of all members of SOCAN.</li> <li>2. Declare known or potential conflicts of interest to the President, e.g. possibility of personal pecuniary gain when a company owned, operated or affiliated (majority of minority) by a Director, wishes to do business with SOCAN. This includes acting as a Director for one or more organizations whose interests are or may be conflicting with those of SOCAN or those engaged on opposing sides of the same transaction.               <ol style="list-style-type: none"> <li>(a) All Directors of SOCAN are also members of the organization and therefore have a business relationship with SOCAN that is bound by the membership agreement. Any other business relationship a Director may have with SOCAN will likely find the Director facing conflicting</li> </ol> </li> </ol>																																																						

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	<p>interests: those of his/her fiduciary responsibility as a SOCAN Director and those of his own business or of the business that he/she represents. Therefore these business relationships should generally be avoided. However there may be times when it is in SOCAN's interest, as determined by the CEO, to have such a business relationship with a Director. When that is the case, the advantages may outweigh the risks. However, great care must be taken by the Director to ensure the following:</p> <ul style="list-style-type: none"> <li>▪ that SOCAN's President and Executive Governance Committee are notified and kept apprised of the relationship</li> <li>▪ that the Director abstains from voting on any resolution to approve the contract or transaction in question</li> <li>▪ that the contract or transaction is fair and reasonable to SOCAN</li> </ul> <p>(b) Regarding notification: The President and EGC must be notified and informed by the Director of all relevant matters:</p> <ul style="list-style-type: none"> <li>▪ at the time SOCAN decides to initiate a business relationship with the Director</li> <li>▪ at the time a business agreement is reached with SOCAN</li> <li>▪ at any time of a breakdown in negotiations and/or decision to not go forward with agreement</li> <li>▪ at any time when a dispute arises between SOCAN and the Director over the business agreement or relationship</li> </ul> <p>The Director must answer any questions the President or EGC may ask him/her at any time regarding any business relationship the Director may have with SOCAN.</p> <ol style="list-style-type: none"> <li>3. Vote on all motions before the Board unless potential conflict of interest exists.</li> <li>4. Maintain confidentiality of information related to employees, licensees, members and SOCAN's strategic interest (survives the Director's term).</li> <li>5. Return all documents and materials received as a Director to SOCAN if requested.</li> <li>6. Make every effort to be fully prepared in advance of meetings including reviewing the advance materials.</li> <li>7. Attend meetings as scheduled (missing 3 consecutive meetings may result in being dismissed from the current Board).</li> <li>8. Recognize that SOCAN's CEO is the only member of SOCAN's management and staff that is directly accountable to its Board of Directors, and that no individual director, only the Board as a whole, has authority over the CEO. The President, however, acting on behalf of the Board, interfaces with the CEO between meetings as required by the day-to-day development of issues.</li> <li>9. Do not advocate on behalf of individual members.</li> <li>10. Acknowledge leadership role of the Chair of the Board of Directors in managing discussion according to agreed upon rules and interpreting this Code of Conduct.</li> <li>11. Regardless of individual vote, supporting and championing decisions of the Board in public.</li> <li>12. Forward requested agenda items or informational materials through the Chair for circulation to the Board.</li> </ol>



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<b>Director Information, Education and Orientation</b>	<p>SOCAN provides an orientation program for new Directors and a refresher for returning Directors on Governance Policies and Procedures at the beginning of the Directors' three-year term.</p> <p>Directors are provided with a Resource Guide in a choice of hard copy, CD Rom, and on-line. It covers subjects such as:</p> <ul style="list-style-type: none"> <li>▪ Tariffs</li> <li>▪ Distribution Rules</li> <li>▪ Financial and Management tools</li> <li>▪ Code of Conduct (for both Directors and Management)</li> <li>▪ Strategic and Corporate (Business) Plans</li> <li>▪ Board Values</li> <li>▪ SOCAN By-laws</li> <li>▪ Media Guide</li> </ul> <p>Directors are also encouraged to further their governance knowledge through attendance at the Institute of Corporate Directors' (ICD) workshops and seminars, as well as through tutorials provided by the Canadian Institute of Chartered Accountants (CICA).</p> <p>Throughout the year, Directors are exposed to scheduled formal presentations by the heads of the various business units / functional areas to enhance their understanding of the company's operations.</p>
<b>Board Access to Management</b>	<p>While the formal interface between the Board and Management is through the CEO, there are numerous opportunities, both formal and informal, for Board members to interact with management. Directors are encouraged to discuss matters that they may wish to pursue with management. Board members are also able to meet with other employees at social functions throughout the year.</p>
<b>Executive Governance Committee – Terms of Reference</b>	<ol style="list-style-type: none"> <li>1. The Executive/Governance Committee is a standing committee of the Board.</li> <li>2. The purpose of the Committee is to: <ul style="list-style-type: none"> <li>▪ Ensure the governance system and processes are effective, efficient and enhance corporate performance.</li> <li>▪ Enable efficient and effective Board work.</li> <li>▪ Provide continuity for SOCAN operations between Board meetings.</li> </ul> </li> <li>3. Work of the Committee will include:</li> </ol>
<b>Governance</b>	<p>For recommendation to the Board:</p> <ul style="list-style-type: none"> <li>▪ Review and revise, on an ongoing basis, structures and processes to address governance issues and maintain compliance with governance guidelines, including but not limited to: <ul style="list-style-type: none"> <li>– The Roles of the Board of Directors and Management</li> <li>– Code of Conduct For Directors</li> <li>– Board Policy on Committees</li> <li>– Terms of Reference for Committees</li> <li>– A Competency Profile for potential directors</li> <li>– New Director Orientation Program and Board Development Program</li> <li>– Board Competencies and Effectiveness Evaluation</li> </ul> </li> <li>▪ Develop and maintain SOCAN Board Policies containing, at a minimum, the above.</li> <li>▪ Monitor the result of the Board's election rules and processes; revise rules and processes as appropriate.</li> <li>▪ In an election year, create a slate of Committee members for all Board Committees (except the Executive/Governance Committee) on behalf of the incoming Board (after receiving the election results but before the first meeting of the new Board). Identify candidates to fill vacancies if these occur.</li> <li>▪ Analyze and make recommendations for Directors' compensation changes for Board approval.</li> </ul>

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<b>Board Operations</b>	<ul style="list-style-type: none"> <li>▪ Monitor developments in the field of Governance Best Practices and consider options for SOCAN.</li> <li>▪ Review the information and documentation provided by management and committees to ensure consistency with the Board's information framework and to enable the Board to conduct its work effectively and efficiently.</li> <li>▪ Provide leadership to help focus strategic issues, including acting as a sounding board for the President/Chair of the Board.</li> <li>▪ Act as Board contact point for Management if the need arises between meetings.</li> <li>▪ Manage the Human Resources function for CEO's position, including recruitment and selection, performance management and compensation.</li> <li>▪ Ensure that Board agendas are structured for completeness, while ensuring that the Board's business is done in a time effective manner.</li> </ul>
<b>Risk ID &amp; Management Committee – Terms of Reference</b>	<ol style="list-style-type: none"> <li>1. The Risk Identification and Management Committee is a standing committee of the Board. None of its members are signing officers or other employees of the organization.</li> <li>2. The purpose of the Committee is to assist the Board of Directors to fulfill its oversight responsibilities by:               <ol style="list-style-type: none"> <li>(a) ensuring that management has implemented appropriate systems to identify, monitor, and mitigate significant business risks, both strategic and operational</li> <li>(b) ensuring that the risk identification and management process incorporates priorities and new initiatives as outlined in the organization's Strategic Plan</li> <li>(c) ensuring, through the work of the Operational Audit function, that management has implemented appropriate systems of internal control, and that those systems are operating effectively</li> <li>(d) ensuring that the annual financial statements of the organization are fairly presented in all material respects</li> <li>(e) ensuring a thorough review of the budget in order to recommend acceptance to the board</li> <li>(f) ensuring that the External Audit function is operating effectively, and</li> <li>(g) acting as a key communication point between the External Auditor and the Board</li> </ol> </li> <li>3. The work of the committee will include:               <ol style="list-style-type: none"> <li>(a) <u>Risk Management</u> <ol style="list-style-type: none"> <li>(i) agreeing on the significant risks identified by management and the plans to mitigate those risks</li> <li>(ii) monitoring management's implementation of those plans</li> </ol> </li> <li>(b) <u>Internal Controls and Operational Audit Function</u> <ol style="list-style-type: none"> <li>(i) reviewing Operational Audit findings and recommendations</li> <li>(ii) reviewing the independence of Operational Audit, and the appropriateness of resources allocated to the function</li> <li>(iii) receiving in-person updates from the Operational Auditor twice per year</li> <li>(iv) ensuring that the Operational Auditor has direct access to the Risk Committee when the Auditor deems it necessary, and that the Risk Committee has direct access to the Operational Auditor when the Committee deems it necessary</li> </ol> </li> </ol> </li> </ol>

## 2008 ANNUAL REPORT TO MEMBERS

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	<p>(c) <u>Financial Reporting</u></p> <p>(i) reviewing annual financial statements with management and the External Auditor to ensure they are prepared in accordance with Generally Accepted Accounting Principles, and that accounting policies selected are appropriate</p> <p>(ii) reviewing the financial forecasts with management to ensure the continued financial health of SOCAN</p> <p>(d) <u>External Auditor</u></p> <p>(i) liaising with the Operational Auditor on a regular basis - meeting in person at least twice annually</p> <p>(ii) reviewing the External Auditor's fees, independence, and performance</p> <p>(iii) arranging for at least two meetings annually between the Board of Directors and the External Auditor</p> <p>(iv) recommending the appointment of External Auditors to the Board of Directors</p> <p>(e) <u>Business Continuity</u></p> <p>(i) ensure business continuity plans, crisis management plans and IT recovery plans are kept up to date and practiced by management</p> <p>(f) <u>Investments – Security and Performance</u></p> <p>(i) ensure the funds awaiting distribution (capital funds) are kept secure and at the same time earn an appropriate rate of return</p> <p>(g) <u>IT Security</u></p> <p>(i) ensure that member &amp; company information is always kept secure while respecting the applicable privacy policies in effect</p> <p>(h) <u>Records Management</u></p> <p>(i) ensure that records management policies and procedures are kept up-to-date and practiced by management</p> <p>4. The Committee will meet at least four times per year. Additional meetings may be held as deemed necessary by the Chair of the Committee or as requested by the External or Operational auditors, or Management.</p> <p>The Committee may retain external expertise to assist it in fulfilling its responsibilities.</p> <p>5. The Committee has the authority to investigate any activity of the organization in order to fulfill its duties and responsibilities.</p> <p>The Committee may, in addition, inquire into any other matters referred to it by the Board of Directors.</p>
<b>Tariff, Licensing and Distribution Committee – Terms of Reference</b>	<p>1. The Tariff, Licensing and Distribution Committee is a standing committee of the Board.</p> <p>2. The purpose of the Committee is to assist the Board of Directors to fulfill its responsibilities to members to:</p> <ul style="list-style-type: none"> <li>▪ ensure appropriate tariffs are proposed to the Copyright Board</li> <li>▪ oversee SOCAN's licensing strategies</li> <li>▪ ensure fair and appropriate Distribution Rules</li> </ul> <p>3. Work of the Committee will include to:</p> <ul style="list-style-type: none"> <li>▪ annually review SOCAN's tariffs and, where required, propose changes</li> <li>▪ monitor and review the use of music in the marketplace and, where appropriate, propose new tariffs</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ review SOCAN's positions before the Copyright Board and review Copyright Board decisions</li> <li>▪ review SOCAN licensing strategies and monitor results</li> <li>▪ review and recommend approval of negotiated agreements with licensees</li> <li>▪ review SOCAN's Distribution Rules; monitor the results and effectiveness of those rules and to propose changes as required</li> <li>▪ review the effectiveness and efficiency of SOCAN documentation and distribution methods and practices and to recommend changes as required</li> <li>▪ review and consider concerns of members regarding the application of tariffs and distribution rules</li> </ul>
<b>Membership Committee – Terms of Reference</b>	<ol style="list-style-type: none"> <li>1. The Membership Committee is a standing committee of the Board</li> <li>2. The purpose of the Committee is to: <ul style="list-style-type: none"> <li>▪ identify and recommend member service opportunities, considering all of SOCAN's constituencies</li> <li>▪ determine retention and growth strategies for SOCAN's membership</li> <li>▪ develop policies and strategies to ensure a high integrity link between the Board and SOCAN members</li> </ul> </li> <li>3. Work of the Committee will include, for recommendation to the Board: <ul style="list-style-type: none"> <li>▪ policies and strategies to retain high earning members</li> <li>▪ policies and strategies for the professional development of SOCAN members</li> <li>▪ policies and strategies for SOCAN member events, such as the AGM, Awards, etc.</li> <li>▪ opportunities to improve member satisfaction based on analysis of member satisfaction data</li> </ul> </li> </ol>
<b>Directors' Compensation Policy</b>	<p>SOCAN's Directors' compensation policy is positioned as to recognize:</p> <ul style="list-style-type: none"> <li>▪ the demands placed on elected Directors by their fiduciary duties</li> <li>▪ the special nature of SOCAN as a not-for-profit member owned organization and</li> <li>▪ the responsibility associated with the stewardship of a \$200M organization with 300 employees and offices across Canada</li> </ul> <p>To this effect, SOCAN positions its Directors' compensation by reference to the compensation paid by a group of Canadian publicly listed financial sector organizations with annual revenues of \$100 to \$500M. The median compensation paid by these organizations (50<sup>th</sup> percentile) is discounted by at least 25 to 40% to reflect the unique character of the organization in order to arrive at the compensation to be paid to SOCAN Directors.</p> <p>Every three years, the outgoing SOCAN Board of Directors obtains relevant market data from a reputable, independent compensation consultancy organization and uses that information to establish the compensation of the incoming Board for the following term in accordance with the above policy.</p>
<b>Board and CEO Evaluation</b>	<p>On an annual basis:</p> <p>The CEO's performance is measured in two ways. First, through results related to the financial, operational and strategic objectives set between the CEO and the Executive Governance Committee.</p> <p>Second, through a structured qualitative assessment by the Board of the CEO's leadership, administrative, people management, interpersonal, communication and strategic business skills.</p> <p>The Board also uses a self-assessment questionnaire that zeroes in on individuals' contribution and the effectiveness of the Board as a group.</p>
<b>Annual Reports of Board Committees</b>	<p>These will be available on-line at <a href="http://www.socan.ca">www.socan.ca</a> following the Annual General Meeting scheduled for June 16, 2009.</p>

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SUBJECT	SPECIFICS
<p><b>Management</b></p> <p><b>Board / Management Relations</b></p> <p><b>Operations</b></p> <p><b>Human Resources</b></p> <p><b>Finance and Information</b></p> <p><b>Strategy</b></p>	<p>The role of Management through the office of the CEO of SOCAN is to:</p> <ul style="list-style-type: none"> <li>▪ Work with the Board of Directors to manage the affairs of SOCAN in the best interests of members.</li> <li>▪ Establish the scope of issues on which senior managers will communicate directly to the Board, its committees and individual Board members.</li> <li>▪ Take decisions and manage day-to-day operational performance of SOCAN, informing Board of Directors of significant issues as appropriate.</li> <li>▪ Ensure efficiency and effectiveness of the means through which the approved strategic plan is accomplished.</li> <li>▪ Take decisions and manage SOCAN's human resources below the level of CEO including hiring, performance evaluation, compensation and termination, within the guidelines of approved budgets and organizational values.</li> <li>▪ Provide timely, accurate and comprehensive information as required by the Board of Directors, consistent with the information framework approved by the Board.</li> <li>▪ Propose annual budget, based on operational plans, for approval by the Board.</li> <li>▪ Work with Board of Directors to develop strategic plan.</li> <li>▪ Lead management team to operationalize strategic plan.</li> </ul>
<p><b>Code of Conduct for Management</b></p>	<p>The role of SOCAN management entails many responsibilities that are critical to the viability and success of our organization. It is incumbent upon us to demonstrate integrity, loyalty, collegiality, transparency, and due diligence whenever we are acting in our executive capacity. To help guide our behaviour we have committed to the following code of conduct:</p> <ol style="list-style-type: none"> <li>1. We act in the overall best interests of SOCAN.</li> <li>2. We devote 100% of our professional life to SOCAN and do not engage in outside work or activities that might adversely affect our obligations to and responsibilities at SOCAN.</li> <li>3. We maintain confidentiality of information related to employees, customers, members and SOCAN's strategic interests.</li> <li>4. We support and champion decisions of the Board, CEO and Executive Management Committee regardless of our personal views.</li> <li>5. We foster relationships of mutual respect and trust between SOCAN and its stakeholders and behave in a transparent manner in our relations with them.</li> <li>6. We are responsible for defining and executing the Corporate (Business) Plan of SOCAN and accountable for global results as well as for those of our respective functional areas.</li> <li>7. We are accountable to the CEO, through the CEO to the Board of Directors, through the Board of Directors to the membership, and answerable to our fellow management associates.</li> <li>8. We declare conflicts of interest, abide by moral, ethical and legal standards and display "intellectual integrity" at all times.</li> <li>9. We protect SOCAN's assets and carefully manage all resources entrusted to us, including human, capital and time.</li> <li>10. We lead by example and promote a working environment that respects the dignity, self-worth, and human rights of all SOCAN employees.</li> </ol>

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	<p>11. We perform our job to the best of our abilities, are reliable, accessible and provide a high level of professional service to our internal and external stakeholders.</p> <p>12. We encourage an open exchange of information and viewpoints; provide the opportunity to contribute to discussions and decision-making and respect honest differences.</p> <p><b>Please note that the above is complemented by a complete system of Human Resources Policies &amp; Practices and a set of values by which all SOCAN employees must abide.</b></p>
<b>Executive Compensation Policy</b>	<ul style="list-style-type: none"> <li>▪ SOCAN, with the assistance of independent external advisors, Hay Group Limited, undertakes an annual review of executive compensation to ensure that it is properly aligned to external markets for comparable positions.</li> <li>▪ The governing principle is that compensation will be fair and equitable in order to attract, retain and motivate effective and efficient employees.</li> <li>▪ Management cash compensation is made up of two components; base salary and an incentive plan. Incentive amounts are based on corporate, departmental and individual performance goals and payments are only generated if the company achieves its targeted net management expense ratio.</li> <li>▪ Included, as part of the executive compensation package, are a competitive health plan, pension arrangements and use of a company leased automobile.</li> </ul>
<b>Annual Report of Management</b>	
<b>Financial Report</b>	<p>SOCAN achieved another exceptional year in 2008 with record-setting Revenues of \$255.7M, a \$9.6M increase over 2007. The increases were due to receipts from international societies as well as the collection of Ringtona revenue for the first time. Of the \$255.7M collected, \$220.9M is distributable income.</p> <p>In total, a record \$198.2M in royalties was distributed to members and international affiliated organizations in 2008, an increase of 9.6% from 2007. The increase was attributable to two special distributions of radio arrears. Note: the difference between the amount distributed and the amount stated above as distributable differs due to the fact that royalties are usually paid out between 6 and 9 months from when the monies were collected.</p> <p>Net administrative expenses increased in 2008 but were offset by income resulting in a net expense ratio of 13.8% of total revenues versus 13.9% in 2007.</p>
<b>Member Satisfaction</b>	<p>2008 was only the second year that the Member Survey was conducted solely online. 4,000+ Members took the time to register their opinions, a jump from some 3,500 in 2007. Overall satisfaction levels and ratings remain similar to 2007. Respondents indicated higher satisfaction levels in two key areas: communications and the website.</p> <p>SOCAN takes Member views very seriously. Each year, after a complete review of the survey results, an Action Plan is developed so that improvements can be made throughout the year. Responding promptly to Member concerns and making sure we tackle any outstanding issues is a primary concern.</p> <p>Last year a strategy was put in place to more fully engage new Members. We are seeing the results of this strategy as new members report increasingly positive views in a number of areas.</p>

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<b>2008 Achievements</b>	SOCAN experienced great success in many areas in 2008.
<b>Tariffs</b>	<p><u>Commercial Radio Tariff:</u> In 2007, Members were awarded a huge victory when the Copyright Board reconfirmed SOCAN's 2005 Tariff 1A Commercial Radio decision, increasing the rate that Broadcasters pay for your music from 3.2 to 4.4% of their advertising revenues.</p> <p>The collection of an additional \$10.4M in retroactive revenue (January 2003 to November 2005) for Tariff 1A was a highlight of our 2008 financial results. In August and November 2008, we undertook two special distributions for this tariff totalling \$16.4M, representing the performance periods January 2003 to December 2007.</p> <p><u>Tariff 24 Ringtones:</u> In 2006, the Copyright Board issued its decision regarding SOCAN's Tariff 24 application, setting the licence fee at 6% of the retail price of ringtones. Wireless carriers sought judicial review of the Copyright Board's decision. However, the Federal Court of Appeal ruled in favour of SOCAN. The decision was then appealed all the way to the Supreme Court of Canada and finally, in the fall of 2008, the Supreme Court agreed with SOCAN and refused to grant the carriers leave to appeal. Revenues that were collected for this Tariff in previous years had been deferred due to the judicial review but in 2008, as a result of the Supreme Court's decision, we were able to recognize \$7.9M in revenue for the period 2003 to 2008. The new Tariff covers the communication to the public, by telecommunication, of telephone ringtones.</p> <p><u>Internet Tariff:</u> We were pleased to see a decision from the Copyright Board on the second part of our Internet Tariff, opening the door for us to begin collecting these fees. SOCAN has already begun collecting licence fees for the first part of the Internet Tariff 22. However, as the Tariff decision is still subject to judicial review, distribution of the \$5.1M in revenue collected in 2008 has been deferred until a decision is made.</p> <p><u>Commercial Radio Mega Hearings:</u> The hearing was held before the Copyright Board in December 2008 and January 2009 to determine the 2008 commercial radio rate for SOCAN, and also for CSI (CMRRA, SODRAC included), AVLA/SOPROQ and NRCC.</p>
<b>Other</b>	<p>We continue to build on our strengths by developing projects and strategies that will help us to achieve our goals.</p> <p><u>210 in 2010:</u> The development of the new SOCAN Licensing Strategy for the years 2008 to 2010, entitled "210 in 2010," is a comprehensive plan that lays out our licensing goals, detailing where we're going and how we're going to get there. This strategy is supported by our Licensing department's goal to "Plan, Commit, Deliver."</p> <p><u>Online Works Registration Records:</u> The result of our efforts to provide simple, useful online service has been very successful. The move to online services by our members has been most noticeable in the area of online works registrations. In January 2008, 85% of the works were being registered online; by March 2009, that percentage had risen to 96.4%.</p> <p><u>Redesigned Website:</u> Our redesigned website launches June 18, 2009 and is one of the biggest projects undertaken by SOCAN in 2008. It has a modern and dynamic appearance and, in line with our goal to provide the best possible online services to members, great attention was paid to simplifying and streamlining the tools and services provided in the secure section of the site. Members can sign up for direct deposit online and opt to receive an immediate email confirmation when registering works online. A marketing campaign aimed at encouraging Members to make use of E-Commerce tools began in 2008 and will continue throughout 2009.</p> <p><u>Redesigned Member Magazines:</u> Improvements to communication and marketing tools did not stop with the website. SOCAN's member magazines, <i>Paroles &amp; Musique / Words &amp; Music</i>, have also been redesigned. The summer 2009 issues are the first to feature the new designs.</p>

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<p><b>2009 Challenges</b></p>	<p><u>Ideas@Work</u>: Ideas@Work, our company-wide innovation program, has set the stage for the kind of out-of-the-box thinking that will serve us well as we move into the future. Staff-generated ideas have included everything from cost-saving green initiatives to ideas aimed at reducing overall operational costs.</p> <p>What effect will the current recession have on SOCAN? That's the big question of 2009. The recession will impact SOCAN later than most organizations, and we will start to see this reflected in SOCAN's revenues in the second half of 2009 and into 2010. Revenue from foreign affiliates is typically received once or twice a year and, as such, has not yet had an effect on our members' foreign earnings. Additionally, SOCAN tariffs that are based on advertising revenue, for example radio (1A) and TV (2A), will also see a drop in revenue as ad rates go down.</p> <p>To ensure we know our financial position at all times, we will keep a constant check on our revenues and increase our emphasis on cost control and efficiency. We will be proactive whenever possible and reactive whenever necessary. There will always be a pilot at the controls and anything that affects SOCAN's position will be dealt with diligently. Our goal is to provide the greatest degree of stability to our members and employees in these rocky times.</p> <p><u>Decision on Satellite Radio</u>: In April of this year, the Copyright Board certified SOCAN's Satellite Tariff 25 at the rate of 4.26% of total revenues (subject to phase-in discounts ranging between 25% and 10% for the years 2005-2009). This new tariff will generate millions of dollars to SOCAN for the period 2005 - 2009 alone.</p> <p><u>Decision on Internet Tariff 22A – Online Music Services</u>: The judicial reviews of the Copyright Board's first decision on Tariff 22A (Online Music Services), and the decision on Tariff 22B-G (Other Music Services), are still pending. Regarding Tariff 22A, SOCAN is seeking a review of the portion of the decision that pertains to previews. For Tariff 22B-G, SOCAN is asking that the Copyright Board be required to set a tariff for the use of music online by CBC and by other sites, such as YouTube.</p> <p><u>Decision on Background Music Supplier Tariff 16</u>: The Copyright Board's decision on the background music supplier tariff is expected before the end of the year.</p>