

## **Annual Transparency Report 2019**

### **PART ONE: Strategic Report**

DACS' new three-year strategy, starting in 2019, has been designed to deliver sustainability, innovation and growth, driven by the desire to support and sustain the business of being an artist.

DACS ended the year with revenue of £23.9 million, paying out £18.3m royalties to a record number of 81,000 artists and estates through Artist's Resale Right (ARR), Payback® (Collective Licensing, Dutch Public Lending Right), Copyright Licensing and Artimage.

Under an agreement with the Copyright Licensing Agency (CLA) and other collecting societies, including those based overseas (DACs' Sister Societies), DACS received £8.2 million in revenue in 2019.

Copyright Licensing achieved revenues of £2.7 million in 2019 (including infringement). Across both services, Copyright Licensing and Artimage, over 1,600 artists and estates were paid over £1.9 million in licensing fees.

DACS' ARR Compliance Campaign continued to address issues with those art market professionals who were not complying with their obligations under the ARR Regulations to declare ARR-eligible sales. In this respect, DACS recovered over £1.8 million in ARR royalties in 2019.

### **Investment Income**

DACS holds funds that arise due to a timing difference between payments made to DACS (by clients, art market professionals or other collecting societies) and payment being made by DACS to rightsholders. These funds are invested with banks, building societies and an investment fund to maximise returns, of which the principal sum was invested into an ethical investment portfolio that meets the UN's Principles for Responsible Investment.

### **DACS' Activities in 2019**

- **Campaigning and public programme**

In 2019 DACS launched a new campaign, Fair Share for Artists, which calls for the fair payment of artists and retention of the Artist's Resale Right in UK law. DACS continued to research and explore how blockchain technology can be used to support fairness and transparency in the art market.

DACS' annual programme of artists' talks continued, with hugely successful events featuring Turner Prize winner Tai Shani and acclaimed conceptual artist, Ryan Gander. DACS continued to take part in a series of educational workshops,

to help students and artists to understand copyright, including collaboration with University of the Arts London.

- **Copyright Education and enforcement**

DACS continues to provide valuable resources and helpful advice to its members through the Copyright Advice Service and online Knowledge Base. DACS' in-house legal team carry out enforcement of copyright infringements on behalf of Copyright Licensing members that helped to secure £31.6k in previously unlicensed uses in 2019.

As part of the education programme, DACS provides seminars and workshops for a range of artists, from emerging to established. The workshops are aimed at helping artists make a success of running their business as a practising artist and focusses on copyright and how to manage contractual relationship. DACS engages with artists and their successors on the importance of wills and estate planning. DACS also participates in the BCC WIPO Copyright Training Course for developing countries.

## **Future Developments**

DACS will continue to strengthen its resilience and continue to develop new opportunities for artists and estates, as articulated in its three-year strategic plan to 2021.

In 2019 DACS launched several digital initiatives aimed at improving services to artists and stakeholders.

DACS modernised the **Payback® system** in response to the increased volumes and changes adopted by the CLA over the past few years. DACS dedicated considerable human and financial resources to redesigning DACS' legacy IT system with a view to replacing it with an integrated enterprise-wide digital system solution. Incorporating AI technology, the development work is expected to be completed in 2020 to serve the needs of our artists members for years to come.

The **Bronzechain** programme was launched as a unique blockchain and hallmarking service for contemporary bronze artworks. The service is delivered through leading bronze foundries across the UK who can apply to DACS for license to use the technology.

DACS is also delivering a strategically curated programme of events, talks and conferences to address challenges facing artists and estates today, bringing together artists, experts and academics.

## **PART TWO: DACS' Core Services**

### **About DACS**

Established by artists for artists, DACS is a not-for-profit visual artists rights' management organisation. DACS collects and distributes royalties to visual artists and estates through three main services: Artist's Resale Right, Copyright Licensing and Payback®, the collective licensing service. Through Payback® DACS distributes royalties that are collected through a variety of UK and overseas licensing schemes:

- Reprography schemes run by the Copyright Licensing Agency (CLA)
- Educational recording schemes run by the Educational Recording Agency (ERA)
- Cable retransmission schemes
- Public Lending Right schemes (PLR) – overseas scheme
- Extended Collective Licensing schemes (ECL) – overseas scheme

DACS campaigns for the rights of visual artists and their heirs and pays them their due royalties, which help support their livelihoods or artists' legacies. DACS works with galleries, dealers and auction houses to fulfil the obligations arising from the Artist's Resale Right Regulations.

### **Relationships with other Collective Management Organisations (CMOs)**

DACS' relationships with other CMOs are vital in its mission to ensure that artists are fairly remunerated for uses of their work.

The Copyright Licensing Agency (CLA) sells licences to businesses, educational institutions and public sector organisations, allowing them to photocopy and scan publications containing copyright-protected content. As a member of the CLA, DACS can ensure that this revenue goes back to visual artists. DACS is a member of the Educational Recording Agency (ERA), which runs a blanket licensing scheme for educational institutions for off-air recordings which also include visual artists' works. These royalties from the CLA and ERA schemes are, amongst others, distributed via Payback®.

DACS is a truly global organisation with strong relationships with overseas collecting societies, known as Sister Societies, in 37 countries. These relationships mean that UK artists can get royalties when their images of their works are licensed for products or works are re-sold on the secondary art market in other countries, and in return DACS represents its Sister Societies' members in the UK.

### **Managing Artists' Rights**

There is no fee to rightsholders for using DACS' services, instead, DACS covers its administration costs by deducting a percentage of the royalties that it collects for artists.

- **Copyright Licensing**

For the Copyright Licensing service DACS makes a deduction for administration of 25% which covers the work that takes place to manage requests for licensing members' works – from pricing to rights granted. DACS actively develops its customer base, and demand for the Copyright Licensing service has grown by 5% since 2018.

DACS makes a deduction for administration of 15% for royalties collected from its overseas Sister Societies for Copyright Licensing.

- **Artist's Resale Right**

DACS deducts 15% for Artist's Resale Right (ARR) to cover the work carried out collecting and distributing ARR royalties in a timely manner. Unpaid royalties are proactively pursued from art market professionals that do not declare their sales, and DACS searches for artists and their heirs who are due ARR royalties. DACS actively campaigns for a global resale right so that all artists can benefit from this vital right, irrespective of their nationality.

DACS made no deductions for administration of ARR royalties collected overseas in respect of sales of works abroad from January 2019 to end of September 2019 and adopted a charge from 5% the beginning of October 2019.

- **Collective Licensing**

Payback® is paid to rightsholders each year, with DACS making administrative deductions of 16%. The Payback® campaign ran from January to May in 2019, when claimants submitted claim forms on the basis of which DACS made payment allocations. Since 2017 claimants can also submit their full publication history to benefit from royalties allocated to data sets collected by the CLA making them eligible to claim from an ISBN/ISSN data-based royalty allocation.

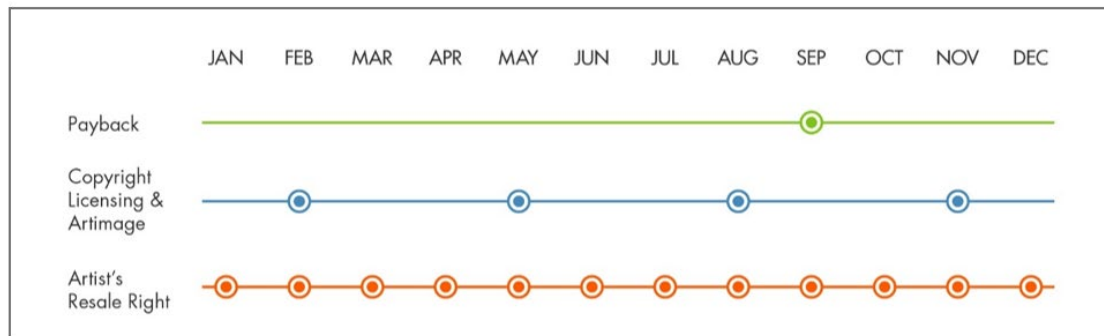
Extended Collective Licensing – ECL – allows collecting societies to run licensing schemes without individual permission from the rightsholder. This means that in addition to granting licences on behalf of its members, a collecting society can also grant licences on behalf of copyright owners who they do not directly represent, but who are covered by the scheme. In 2019 there were no ECL schemes authorised under the ECL legal framework in the UK, but where DACS receives royalties for UK artists from ECL schemes abroad, DACS makes a deduction of 15% to cover the management of these ECL royalties in the UK.

Public Lending Right – PLR – is received by DACS from sister societies operating where public lending libraries pay a royalty in their territories., for instance through the Dutch Public Lending Right Scheme. These royalties too are subject to a 15% deduction for the administration of these royalties in the UK.

## **Distribution Timetable**

The distribution timetable is established by DACS' Distribution Policy, which is agreed upon by Voting Members annually in DACS' Annual General Meeting (AGM). The Distribution Policy can be found on the DACS website:

<https://www.dacs.org.uk/about-us/corporate-resources/distribution-policy>



### Memberships of Other Bodies

DACS' relationships with other organisations improve its governance, keep it at the forefront of changes to the legal and political landscape and allow DACS to make the voices heard of the thousands of visual artists it represents.

DACS is a member of international bodies who set standards for CMOs, such as CISAC, and European lobbying organisations, such as EVA.

In the UK, DACS is part of the Alliance for IP, holding the Vice Chair position representing creators; the British Copyright Council; the Creative Industries Federation and the International Authors Forum. These societies facilitate interactions with government and policymakers to improve the lives of artists. In an era of economic and political uncertainty, these networks are highly valuable.

### Social, cultural, educational and other activities

DACS does not make deductions from royalties to fund social, cultural, educational and other activities.

### Refusals to grant a licence

DACS reserves the right to refuse granting a licence under certain circumstances, such as when permission has not been given by the rightsholder, in which instance DACS will inform the client without undue delay. Any unlicensed requests are recorded and reviewed on a quarterly basis. In 2019 DACS was unable to grant a licence in 117 instances due to rightsholders refusing permission for the intended use.

### **PART THREE: DACS' Financial Statements**

This report should be read in conjunction with DACS' Financial Statements and Annual review, both of which are available on DACS website here:

<https://www.dacs.org.uk/about-us/corporate-resources/annual-reports>

#### **Revenue recognition for each categories of rights**

Revenue is recognised in DACS' Accounts when it is probable that the economic benefits will be realised, and the revenue can be reliably measured. Each category of rights has criteria by which revenue is recognised:

<b>Category of rights</b>	<b>Criteria for revenue to be recognised</b>
Copyright Licensing	Copyright licensing refers to those rights that can be administered on an individual and transactional basis. Income is recognised at point of invoicing.
Artist's Resale Right	Artist's Resale Rights are conferred by legislation, which allows DACS to collect income on behalf of qualifying artists on secondary sales made by art market professionals. Income under the Resale Rights scheme is invoiced once DACS has been informed that a sale has been made to a third party by the art market professional. DACS reviews each sale and verifies with the art market professional that all the necessary conditions are met. Revenue is recognised once the sale has been confirmed with the art market professional.
Collective Licensing	Collective licensing cannot be administered on a transactional basis. Rights are licensed under blanket licensing schemes operated by a third party. Where there is uncertainty regarding the timing and amount of such funds, the income is recognised on a notification basis only.

## Income arising from the investment of rights revenue

Funds that arise because of a timing difference between payment being made to DACS by clients, art market professionals or other collecting societies and payment being made by DACS to the rightsholder are invested as per DACS' investment policy, which is available on DACS' website or upon request.

This income is allocated to each category of rights based on the average balance of funds due to, but not yet distributed to, rightsholders during the year and is shown in the Income and Expenditure Report by category of rights managed as interest and investment income, totalling £71.9k in 2019.

Fair value movements are changes to the value of investments held due to movements in the stock market. Gains of £268k in 2019 are excluded from the allocation and are reported as other activities in the Income and Expenditure by category of rightsholder report.

## Income & Expenditure by Category

	ARR	COPYRIGHT LICENSING	COLLECTIVE LICENSING	OTHER	TOTAL
	2019	2019	2019	2019	2019
	£	£	£	£	£
Turnover	12,835,555	2,690,017	8,222,019	125,263	23,872,854
Payable to Artists & Other Cost of Sales	(10,952,455)	(2,055,526)	(6,908,610)	(82,586)	(19,999,177)
Other Income	0	500	0	21,021	21,521
<b>Net Income</b>	<b>1,883,100</b>	<b>634,991</b>	<b>1,313,408</b>	<b>63,698</b>	<b>3,895,198</b>
Direct Costs	(312,401)	(389,301)	(100,465)	(20,547)	(822,714)
<b>Gross Profit/(Loss)</b>	<b>1,570,699</b>	<b>245,690</b>	<b>1,212,944</b>	<b>43,151</b>	<b>3,072,484</b>
Income and Other Operational Items	26,679	6,915	38,299		71,893
Fair Value Movements				267,953	267,953
<b>Contribution</b>	<b>1,597,378</b>	<b>252,605</b>	<b>1,251,242</b>	<b>311,104</b>	<b>3,412,330</b>
Administration Costs	(1,342,871)	(281,433)	(860,201)		(2,484,505)
Occupancy Costs	(47,267)	(69,346)	(8,890)		(125,503)
<b>Indirect costs</b>	<b>(1,390,138)</b>	<b>(350,779)</b>	<b>(869,091)</b>	<b>0</b>	<b>(2,610,008)</b>
<b>Profit/(Loss) before Taxation</b>	<b>207,240</b>	<b>(98,174)</b>	<b>382,151</b>	<b>311,104</b>	<b>802,322</b>
<b>Costs of Rights Management</b>	<b>1,702,539</b>	<b>740,080</b>	<b>969,556</b>		<b>3,412,175</b>
<b>Costs as a % of Revenue</b>	<b>13%</b>	<b>28%</b>	<b>12%</b>		<b>14%</b>

In 2019 the Administration Fees at DACS were 14% at £3,412k. Because of an increase in the number of smaller value Copyright Licensing requests, as well as, the effect of IT system related write offs across all income streams, the cost for the

Copyright Licensing Service was marginally higher than the Administration Fee charge in 2019 (28% versus 25%).

### Income from and Distribution to Other CMOs

Income from CMOs amounted to £9,135k in 2019, with UK societies (CLA, ERA, PLS) representing 55% of the total. Further 43%, £3,892k comes from DACS' European sister societies with income from North America representing 1.3% only.

DACS distributed £5,401k to overseas sister societies, of which 92% was effectively distributed to European CMOs, within £2,370k to the French societies (ADAGP and SAIF).

	<b>Income from other CMOs</b>	<b>Distribution to other CMOs</b>
Artist's Resale Right	£495,431	£4,224,540
Collective Licensing	£8,222,019	£93,037
Copyright Licensing	£417,530	£1,083,693
<b>Total</b>	<b>£9,134,980</b>	<b>£5,401,270</b>

### Non-distributable Amounts

In line with the Distribution policy, DACS holds funds for artists and beneficiaries for six years after the corresponding funds were received, whether in lieu of ARR, Copyright Licensing or Collective income. DACS' members have decided that DACS should continue to search for the relevant rightsholders for a further three years after Regulation 12 (9) of The Collective Management of Copyright (EU Directive) Regulations 2016 (CRM Regulations) classifies these royalties as non-distributable.

After six years, the funds are then classified as undistributable and paid out alongside the following guidelines:

- Regarding undistributable ARR funds, members decide on an annual basis how these are being treated and have decided to return these to the Art Market Professionals who paid the royalties originally. Where this is not possible for a further six years, members must decide how these royalties are being treated and have voted to donate these additional royalties to a charity. In 2019, DACS donated £14k to charity.
- Undistributable Copyright Licensing royalties are royalties that generally could not be distributed because of a change in the beneficiary structure and are either being paid to an authorised representative in the form of an executor/administrator of the will or the remaining beneficiaries once the six year period expires. At 31 December 2019 the amount of corresponding undistributable Copyright Licensing funds was £1k.



- Undistributable Collective Licensing royalties are returned to the annual Payback® distribution; at 31 December 2019 the value of the fund was £25k.

#### Deductions made by revenue stream, rights managed and types of users

DACS revenue stream	Deductions when managed by DACS	Deductions when managed by overseas CMOs	Rights Managed	Types of uses	Purposes of deduction
Copyright Licensing	25%	15%	Copyright Licensing Rights and Secondary Rights	Physical reproductions and reprographic Digital reproductions Inclusion in other media	Administration costs
Artimage	35% direct and 30% collections		Copyright Licensing Rights Secondary Rights	Physical reproductions and reprographic Digital reproductions Inclusion in other media	Administration costs
Payback®	16%	ECL: 15% PLR: 15%	Secondary Rights	Physical reproductions and reprographic Digital reproductions Educational recording Cable retransmission Public Lending Right Extended Collective Licensing Inclusion in other media	Administration costs
Artist's Resale Rights	15%	5% (effective from Oct-19)	Artist's Resale Rights	N/A	Administration costs

Key: COL = collective licensing; ARR = Artist's Resale Right; CL = copyright licensing (i.e. direct licensing)

### Total Income from and distribution to other CMOs by territory and by category of rights

Territory		Category of rights		Royalties by Value	
	Country	Income	Distribution	Income	Distribution
<b>UK</b>					
ACS	UK		ARR	£0	£7,561
ALCS	UK	COL		£425	£0
BBC	UK	COL		£29,204	£0
CLA	UK	COL		£4,415,763	£0
ERA	UK	COL		£200,560	£0
PLS	UK	COL		£404,298	£0
<b>EUROPE</b>					
ADAGP	France	ARR, CL, COL	ARR, CL, COL	£317,580	£2,360,462
AKKA-LAA	Latvia	CL, COL		£7,630	£0
BILDRECHT	Austria	ARR, CL, COL	ARR, CL	£21,225	£15,475
BONO, Billedkunst opphavsrett i Norge	Norway	ARR, CL, COL	ARR, CL, COL	£10,619	£10,149
EAU	Estonia	CL, COL	ARR, CL, COL	£5,436	£259
GESTOR	Czech Republic		ARR	£0	£17,506
HUNGART	Hungary	CL, COL	ARR, CL, COL	£1,872	£4,039
IMRO	Ireland	COL		£53,173	£0
IVARO	Ireland		ARR, CL, COL	£33,518	£65,918
KUVASTO	Finland	ARR, CL, COL	ARR, CL	£3,663	£750
LATGA-A	Lithuania			£0	£0
LITA	Slovakia		ARR	£0	£381
OSDEETE	Greece		ARR	£0	£493
PICTORIGHT	Netherlands	ARR, CL, COL	ARR, CL, COL	£419,134	£86,041
PRO LITTERIS	Switzerland	CL, COL	ARR, CL, COL	£45,554	£11,564
RTE	Ireland	COL		£1,287	
SABAM scr1	Belgium	ARR, CL, COL	ARR, CL	£65,330	£54,571
SAIF	France		CL, COL	£0	£9,692
SIAE	Italy	ARR, CL	ARR, CL, COL	-£45,875	£952,947
SOFAM	Belgium		ARR, CL, COL	£0	£3,211
SPA, Sociedade Portuguesa de Autores, Crl	Portugal	ARR, CL	ARR, CL, COL	£4,488	£1,851
VCSS, Bildupphovsrätt i Sverige, ek.för	Sweden	ARR, CL, COL	ARR, CL, COL	£60,928	£12,751
VEGAP	Spain	ARR, CL, COL	ARR, CL, COL	£72,166	£252,177
VG BILD KUNST	Germany	ARR, CL, COL	ARR, CL, COL	£2,747,468	£1,039,420
VISDA	Denmark	ARR, CL, COL	ARR, CL, COL	£66,384	£39,134
<b>AMERICAS</b>					
ARS	USA	CL	ARR, CL, COL	£114,855	£300,156
AUTVIS	Brazil	CL	CL, COL	£986	£995
SOCAN	Canada	CL		£4,537	£0
VAGA	USA		ARR, CL, COL	£0	£135,055
<b>REST OF WORLD</b>					
COPYRIGHT AGENCY	Australia	CL, COL	CL, COL	£35,431	£6,622
DALRO	South Africa		CL, COL	£0	£501
JASPAR	Japan	CL		£11,430	£0
SACK	South Korea	CL, COL		£25,911	£0
UPRAVIS	Russia		CL, COL	£0	£11,589