
MUSIC IS UNIVERSAL
Annual Report 2022
UNIVERSAL
UNIVERSAL MUSIC GROUP

CONTENTS

This copy of the annual report of Universal Music Group N.V. for the year 2022 is not in the ESEF-format as specified by the European Commission in Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815). The ESEF reporting package can be found on our website

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ABOUT UMG

FOREWORD

WE ARE UNIVERSAL

Dear Fellow Shareholders:

It's hard to believe that UMG became a freestanding public company just a year-and-a-half ago. It was, to be sure, a watershed moment in our history, but we remained focused on what we've always done: bringing great artists and their music to the world; breaking performance records of all kinds everywhere; and driving the industry forward through creativity, strategic investments and innovation.

With 2022 in the rearview mirror, I'd like to share with you a few thoughts about what was an extraordinary year for UMG and also touch upon some of the challenges and opportunities that lie ahead for us in 2023 and beyond.

In 2022, we reached new levels of success across our operating companies and territories, driving total revenue growth of 14%, operating profit growth of 8% and Adjusted EBITDA[1] growth of 12% (all in constant currency).

But we measure our success by so much more than just financial metrics. Consider these 2022 achievements, among many others around the world:

- On the charts, the performance of our artists and songwriters remained stellar. So many artists from around the world contributed to our success in 2022, with standout performances from: Taylor Swift; Olivia Rodrigo; The Weeknd; The Beatles; Kendrick Lamar; Drake; BTS; Karol G; Angèle; Glass Animals; Imagine Dragons; Rammstein; Helene Fischer; ABBA; Ado; Elton John; Eminem; Justin Bieber; King & Prince; Lil Baby; and Billie Eilish, among many others.

  On Spotify: UMG had four of the Top 5 Artists globally; four of the Top 5 in the U.S.; 7 of the Top 10 in Germany and Italy, including No 1s in both countries; and the top female artist in France;.

  On Apple Music: Universal Music Publishing Group had writer-interests in 9 of the Top 10 most-streamed songs globally.

  On YouTube: UMG had 7 of the Top 10 Songs in the U.S.

  On the U.S. Billboard charts: We had the No. 1 Song on the Hot 100 year-end chart and 7 of the Top 10 Albums.

  In the UK: UMG had 6 of the Top 10 artists based on OCC data, including No. 1.

- In 2022, UMG and our artists helped strengthen local communities around the world by: serving those in need more than 20,000 meals; building community gardens throughout the U.S., Europe and Australasia; conducting vital education campaigns with organizations such as Mental Health Coalition; and assisting hundreds of artists save a combined millions of

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[1] As defined in the Appendix to the Annual Report

dollars in healthcare costs through our partnership with Music Health Alliance in the U.S.

- UMG's Task Force for Meaningful Change ('TFMC') continued its groundbreaking work: funding mentoring programs for the next generation of Black artists and music industry professionals; investing in community violence intervention programs; partnering with HBCU medical schools to widen the Black practitioner pipeline; and helping voters reach the polls by providing more than 13,000 rides. Through the TFMC, our All Together Now Foundation, and our Employee Matching Program, UMG contributed to more than 500 organizations in 2022 alone.

To achieve such astonishing success for both developing and established artists, and to do so year after year, is no accident. UMG's unique artist-centric culture accounts for that repeated success and is at the heart of our company's two-fold mission.

Our first, simplest, and yet most difficult imperative is to discover and break new artists and then sustain their careers over the long-run. The second part of our mission is to promote a healthy, sustainable and exciting music ecosystem in which our artists can thrive for years and decades to come.

We fulfill that goal by using our ingenuity to drive the music industry forward as technology and the world around us keeps changing. That's exactly the pioneering approach we took at the advent of streaming. Early on, we saw the potential inherent in streaming and subscription and jumped right in – leaning into what was the most profound business model shift the industry had ever seen, redesigning our global organization, becoming the first to adapt to – and then thrive in – the streaming era.

Today, what's become clear to us and to so many artists and songwriters, is that the economic model for streaming needs to evolve. As technology advances and platforms grow, there is also a need for business model innovation to keep pace with change.

Going forward, we will remain focused on innovation that is essential to promote a healthier, more competitive music ecosystem – one where the creators of all music content, whether in the form of audio or short-form video, are fairly compensated. Our sustained and deep involvement with music and artists will enable us to safely and profitably navigate our way forward through the industry's next big shift.

Our past is prologue to a future where the solutions we find and the steps we take to implement them will contribute to another era of growth for UMG and the industry at large. Entering this new era of possibility, I am proud to say that there is no better team of professionals anywhere in the world than the one we have right here at UMG.

I'm excited for what will be an eventful and prosperous 2023.

SIR LUCIAN GRAINGE, CHAIRMAN AND CEO, UNIVERSAL MUSIC GROUP

2022 CHART HIGHLIGHTS

GLOBAL

Spotify

4 OF THE TOP 5 ARTISTS

TAYLOR SWIFT
DRAKE
THE WEEKND
BTS

Apple Music

UMPG HAS AN INTEREST IN **9 OF THE TOP 10 AND 66 OF THE TOP 100 SONGS**

Deezer

5 OF THE TOP 10 INCLUDING THE TOP 2 ARTISTS

IMAGINE DRAGONS
THE WEEKND

REGIONAL

U.S.

SPOTIFY

4 OF THE TOP 5 ARTISTS INCLUDING NO. 1

YOUTUBE

2 OF THE TOP 3 AND 7 OF THE TOP 10 SONGS

BILLBOARD

THE NO. 1 SONG ON THE HOT 100 AND 7 OF THE TOP 10 ALBUMS ON THE BILLBOARD 200

Germany

GFK

ALL OF THE TOP 4 ALBUMS AND ALL OF THE TOP 3 SINGLES

UK

OCC

6 OF THE TOP 10 ARTISTS, INCLUDING NO. 1

Latin America

SPOTIFY

THE NO. 1 FEMALE LATIN ARTIST OF THE YEAR GLOBALLY
KAROL G

Japan

BILLBOARD

THE NO. 1 ARTIST ON THE BILLBOARD JAPAN "ARTIST 100"

France

OCC

THE NO. 1 FEMALE ARTIST
ANGÈLE

PROFILE

WE ARE A CATEGORY OF ONE

WE HAVE A RICH HISTORY AND HAVE BUILT AN IRREPLACEABLE CATALOG OF SONGS AND RECORDINGS

#1 RECORDED MUSIC

>3 MILLION RECORDINGS

#2 MUSIC PUBLISHING

NEARLY 4 MILLION OWNED & ADMINISTERED TITLES

#1 MUSIC MERCHANDISING

>220 ARTISTS / BRANDS

#1 MUSIC BASED VISUAL ENTERTAINMENT

10,000s OF HOURS OF VIDEOS

>4 TRILLION MINUTES OF CUMULATIVE WATCH TIME OF UMG CONTENT ON YOUTUBE

MISSION

MORE MUSIC TO MORE PEOPLE

We are Universal Music Group, the world's leading music company.

We exist to shape culture through the power of artistry.

We are a community of entrepreneurs committed to creativity and innovation.

We own and operate a broad array of businesses engaged in recorded music, music publishing, merchandising, and audiovisual content in more than 60 territories.

We identify and develop recording artists and songwriters, and we produce, distribute and promote the most critically acclaimed and commercially successful music to delight and entertain fans around the world.

Our vast catalog of recordings and songs stretches back over a century and comprises the largest, most diverse and culturally rich collection of music ever assembled.

As digital technology refashions the world, our unmatched commitment to lead in developing new services, platforms and business models for the delivery of music and related content empowers innovators and allows new commercial and artistic opportunities to flourish.

Knowing that music, a powerful force for good in the world, is unique in its ability to inspire people and bring them together, we work with our artists and employees to serve our communities.

We are the home for music's greatest artists, innovators and entrepreneurs.

Together, we are UMG, the Universal Music Group.

MUSIC IS THE SOUNDTRACK OF OUR LIVES

MUSIC IS THE SOUNDTRACK OF OUR LIVES

20.1 HOURS

Time spent listening to music each week (up from 18.4 hours in 2021)

That's the equivalent of listening to an additional 34 3-minute songs per week in 2022!

46%

Listened to music using subscription audio streaming

On average people use

6+

Methods to engage with music

69%

Say music is important to their mental health

People listen to

8+

Different genres of music on average

58%

Have watched a music focused TV show or film in the last month

50%

Use short form video apps

69%

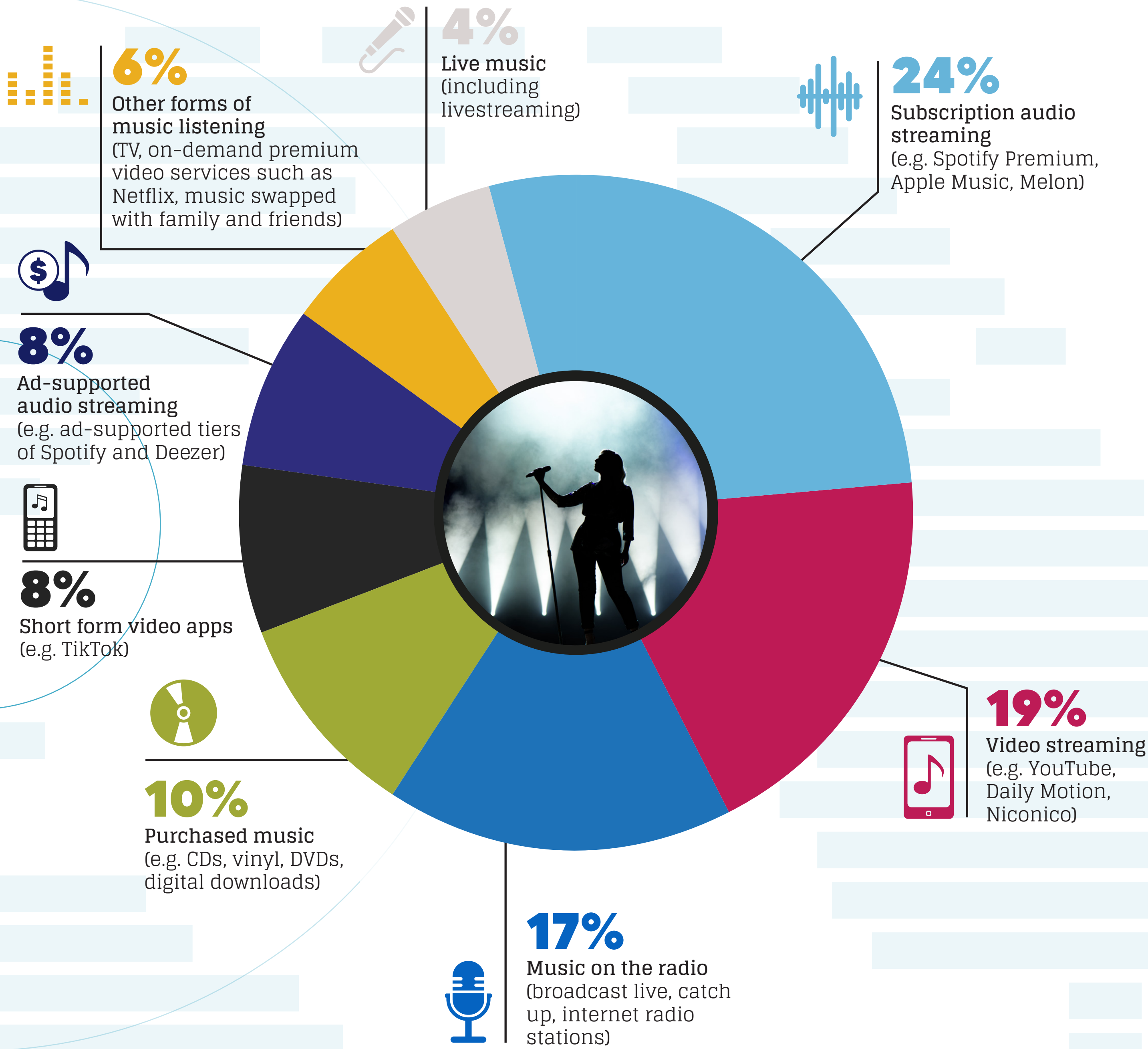
Of people say music is important when they exercise

32%

Have watched a music livestream such as a concert in the last month

Source: IFPI 'Engaging with Music' 2022

2022 MUSIC ENGAGEMENT MIX



Source: IFPI 'Engaging with Music' 2022

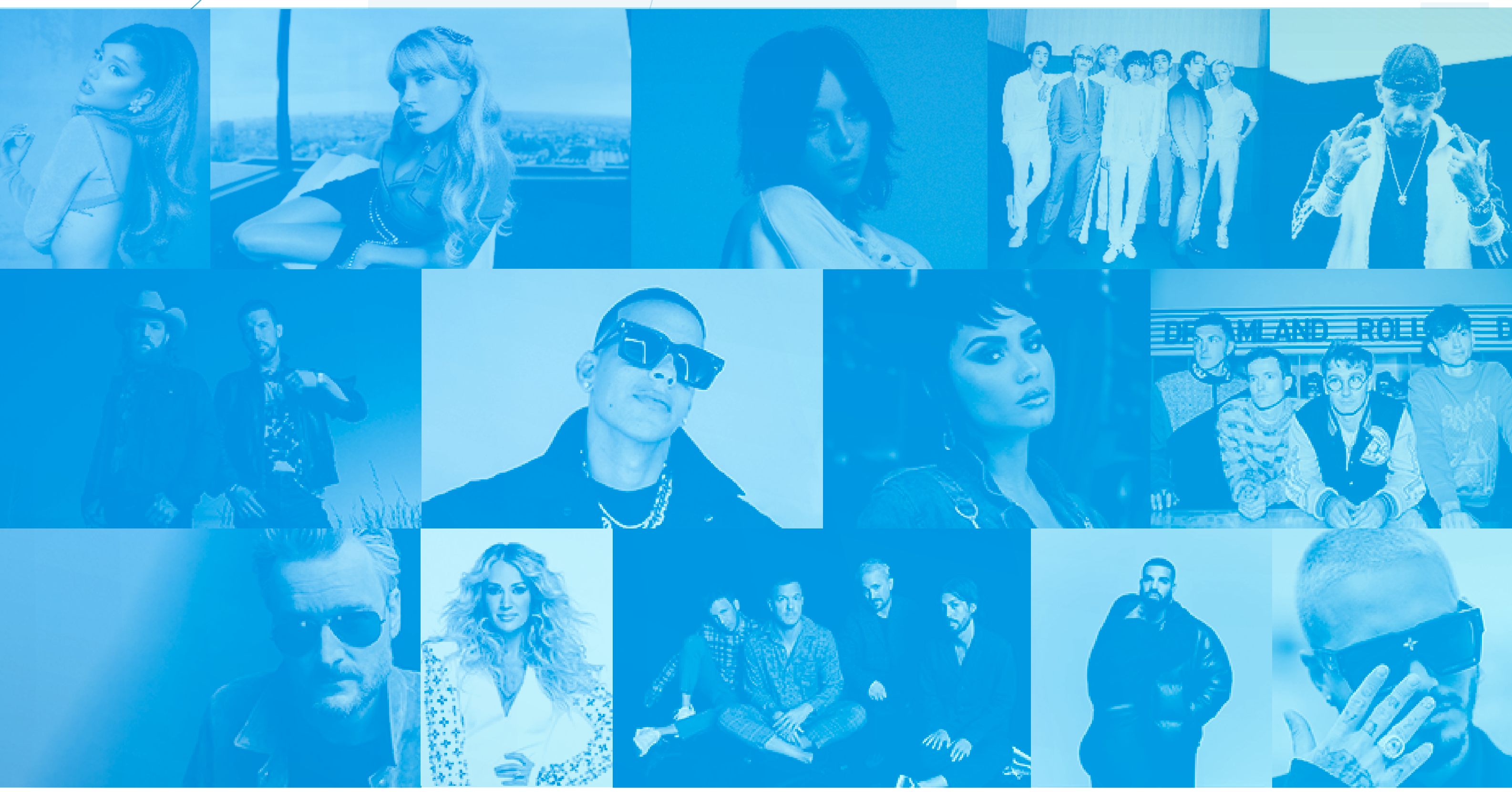
VISION

PUTTING ARTISTS FIRST

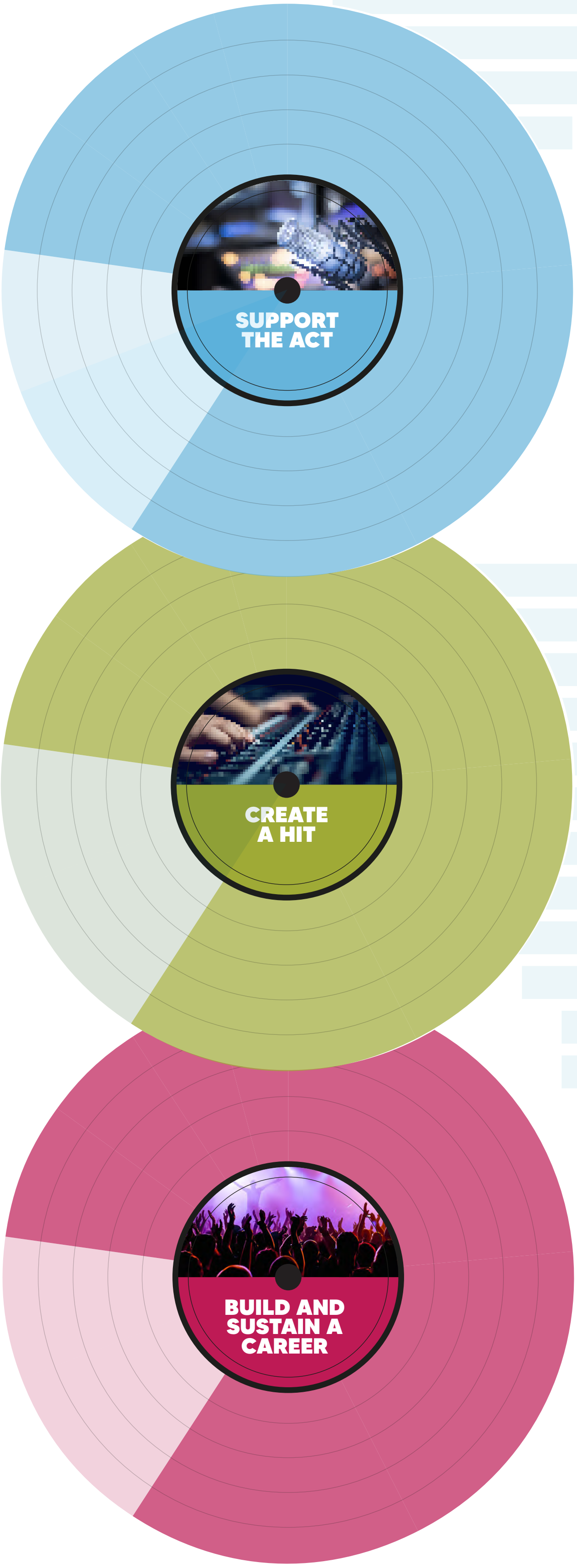
Artists and songwriters are at the heart of everything we do at Universal Music Group. Focused on their long-term development, our company is built to serve their unique needs throughout their careers. Successfully producing and marketing music requires a significant upfront investment and an ongoing collaboration. Universal Music Group invests more in developing talent, and does so with greater expertise, than any other music company. This investment combined with our excellence in marketing and promoting artists globally means we consistently lead the industry in breaking new artists.

Putting artists first every step of the way sets us apart. We turn art into hits and hits into careers. By building a continuum of services and resources for artists, we've designed UMG so we can partner with artists at each stage of their careers to provide them with all the services and resources they need. We start by identifying the artists with whom we want to partner and presenting them with a world of opportunities to accelerate their careers. We remain by their side with customized campaigns and promotion, platform-integrated targeted marketing, top-tier data and insights and global reach with local activation. We work side-by-side with them long-term to build and sustain their careers through continuous engagement, improving lifetime fan value, and enabling unique access to synchronization, brand partnerships, licensing opportunities and eCommerce capabilities to monetize fandom.

Our artist-centric approach gives us an unrivalled track record in artist development and commercial success.



WE TURN ART INTO HITS AND HITS INTO CAREERS



- State-of-the-art studios
- World-class collaborators
- Cutting-edge visual art and video creative services
- Artist financial support, including significant upfront investment
- Career planning

- Highly customized campaigns and promotion
- Platform-integrated, targeted marketing
- Top-tier data and insights
- Ability to deliver global reach with coordinated local activation

- Continuous engagement building lifetime fan value
- Unique access to synch, brand partnerships and licensing opportunities
- eCommerce capabilities monetize fandom, leveraging merchandise & product development expertise

TIMELINE

JANUARY

Expansion of agreement with **Amazon** and **Twitch** to offer fans live streams, artist merchandise, spatial audio, exclusive experiences and artist engagement on Twitch.

MARCH

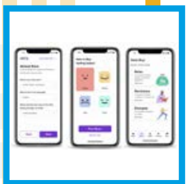
Launch of an unrecouped advances program for **legacy artists** under which UMG will cease applying unrecouped advances to royalty statements for certain legacy featured recording artists and songwriters.

Launch partner for **ChartStars**, an NFT-based project of curated digital collectibles with artist-focused artwork that commemorates achievements and milestones on the Billboard Charts.

MAY

First-ever credit rating of **Baa1/BBB Long Term Credit Ratings** from Moody´s and S&P, supportive of UMG's financing strategy and commitment to maintaining an investment grade rating.

Premier of **"ABBA Voyage"**, a revolutionary concert in which digital avatars of the band perform their greatest hits in their very own ABBA Arena at Queen Elizabeth Olympic Park in London.



FEBRUARY

Acquisition of 17-time Grammy Award winner **Sting's career catalog of songs**, uniting it with his recorded music catalog at UMG.

Achieved six wins for six different artists at the **2022 Brit Awards**: Dave (Best Hip Hop/Grime/Rap Act), Billie Eilish (International Artist of the Year), Sam Fender (Best Rock/Alternative Act), Becky Hill (Best Dance Act), Holly Humberstone (Rising Star Award) and Olivia Rodrigo (International Song of the Year).

APRIL

At the 64th Annual Grammy Awards, **Jon Batiste**'s *We Are* won Album of the Year and **Olivia Rodrigo** was named Best New Artist.

JUNE

Exclusive launch partner for AI-driven **music app Vera**, where users can develop personalized music stations specifically designed to improve the lives of people living with dementia.

Successfully priced €500m of 3.00% senior unsecured notes due 2027 and €500m of 3.75% senior unsecured notes due 2032 to refinance existing indebtedness.

Acquisition of **Frank Zappa's estate**, including his expansive recordings, publishing catalog, film archive, and the complete contents of The Vault, the storage facility that houses the late Zappa's life's work and name and likeness rights.

TIMELINE

JULY

Announced a new deal with **Meta** which expands revenue sharing and enhances the Meta community's engagement with UMG's catalog.

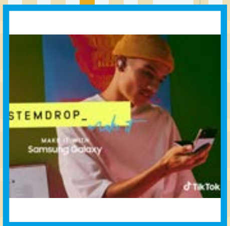
SEPTEMBER

Formation of **Virgin Music Group**, a new global division that unifies UMG's artist services businesses including Virgin Music Label & Artist Services, Ingrooves Music Group and newly acquired mtheory Artist Partnerships.

Awarded **Ukrainian President Volodymyr Zelensky**'s Ukraine Peace Prize in recognition of UMG's support for humanitarian relief efforts in the region and music's historic role in fostering peace.

NOVEMBER

UMG's Deutsche Grammophon launched **Stage+**, a classical music subscription service featuring exclusive live premieres; long-form concert and opera programs; music videos; documentaries and behind-the-scenes interviews; new audio releases, as well as albums from the Deutsche Grammophon and Decca catalogs in Hi-Res and Dolby Atmos.



OCTOBER

Partnership with Simon Cowell and Syco Entertainment to create **StemDrop** – a new evolution of musical collaboration, curation and artist discovery launched exclusively with TikTok and Samsung.

Partnership with **Mercedes-Benz** and **Apple Music** to deliver the ultimate in-car sound experience, becoming the first non-Apple devices to offer Spatial Audio with Dolby Atmos from Apple Music natively in a vehicle.

Partnered with Elton John, Rocket Entertainment and Roblox to launch '**Beyond the Yellow Brick Road**' on **Roblox**, a virtual experience offering fans a new way to enjoy Elton's timeless music, express themselves through his iconic fashion co-created with the community, and experience his impact on popular culture in a new, creative, and unique way.

Acquisition of a 49% stake in **independent music company [PIAS]**, following the formation of a strategic global alliance between the two companies in June 2021.

FINANCIAL KEY FIGURES 2022

UMG RESULTS
(in € millions) **YEAR ENDED DECEMBER 31**

REVENUE	
2022	10,340
2021	8,504
YoY	+ 21.6%
constant	+ 13.6%

Operating Profit	
2022	1,600
2021	1,394
YoY	+ 14.8%
constant	+ 7.9%

EBITDA[1]	
2022	2,028
2021	1,686
YoY	+ 20.3%
constant	+ 12.5%

EBITDA margin[1]	
2022	19.6%
2021	19.8%
YoY	- 0.2pp

Adjusted EBITDA[1]	
2022	2,135
2021	1,788
YoY	+ 19.4%
constant	+ 11.7%

Adjusted EBITDA margin[1]	
2022	20.6%
2021	21.0%
YoY	- 0.4pp

NOTE
% YoY indicates % change year-over-year
% constant indicates % change year-over-year adjusted for constant currency

[1] as defined in the Appendix to the Annual Report

FINANCIAL KEY FIGURES 2022

RESULTS PER BUSINESS SEGMENT
(in € millions)

YEAR ENDED DECEMBER 31

RECORDED MUSIC
(in € millions)

REVENUE	
2022	7,937
2021	6,822
YoY	+ 16.3%
constant	+ 8.8%

YoY growth in constant currency

Subscription and Streaming Revenue + 9.8%
Downloads and Other Digital Revenue - 2.9%
Physical Revenue + 4.1%
License and Other Revenue + 13.4%

MUSIC PUBLISHING
(in € millions)

REVENUE	
2022	1,799
2021	1,335
YoY	+ 34.8%
constant	+ 26.3%

MERCHANDISING AND OTHER
(in € millions)

REVENUE	
2022	618
2021	363
YoY	+ 70.2%
constant	+ 54.1%

NOTE
% YoY indicates % change year-over-year
% constant indicates % change year-over-year adjusted for constant currency

NOTE
Segment revenue is stated prior to elimination of intersegment transactions

NON-FINANCIAL KEY FIGURES 2022

ENVIRONMENTAL

TOTAL GHG EMISSIONS (MARKET-BASED) (in tCO_2e)

358,820

SCOPE 1	2,404
SCOPE 2 (location-based)	8,721
SCOPE 2 (market-based)	6,663
SCOPE 3	349,753

GHG EMISSIONS INTENSITY

SCOPE 1 & 2 (market-based)	
tCO_2e/employee	0.91
tCO_2e/€ million of revenue	0.88
SCOPE 3	
tCO_2e/employee	35.00
tCO_2e/€ million of revenue	33.83

GREEN BUILDINGS (in % of total m²)

Buildings utilizing renewable electricity **46%**

Buildings that have received an environmental certification[1] **28%**

SOCIAL

	2022	2021
TOTAL HEADCOUNT	9,992	9,505
Men	4,913 (49%)	4,771 (50%)
Women	5,079 (51%)	4,734 (50%)
MANAGERS	3,456	2,838
Men	1,980 (57%)	1,663 (59%)
Women	1,476 (43%)	1,175 (41%)

[1] Environmental certifications include BREEAM, ENERGY STAR, ISO 50001, and LEED.

KEY CONSOLIDATED FINANCIAL DATA FOR THE LAST THREE YEARS

Year ended December 31,

	2022	2021	2020
Consolidated data			
Revenues	10,340	8,504	7,432
EBITDA[1]	2,028	1,686	1,487
Adjusted EBITDA[1]	2,135	1,788	1,497
Operating profit[2]	1,600	1,394	1,230
Net profit attributable to equity holders of the parent	782	886	1,366
Adjusted net profit[1]	1,454	1,271	1,028
Net Cash Position/(Financial Net Debt)[1]	(1,810)	(2,010)	(1,868)
Net cash provided by operating activities before income tax paid	1,987	1,395	1,133
Free Cash Flow[1]	1,086	638	(158)
Dividends paid by UMG N.V. to its shareholders	(798)	(785)	(283)
Per share data			
Weighted average number of shares outstanding	1,813	1,813	1,813
Earnings attributable to UMG N.V. shareowners per share	0.43	0.49	0.75
Adjusted net profit per share[1]	0.80	0.70	0.57

1 Non-IFRS measures as defined in the Appendix to the Annual Report.

2 2021 Restated amounts are presented in Note 2.3 of the Annual Consolidated Financial Statements

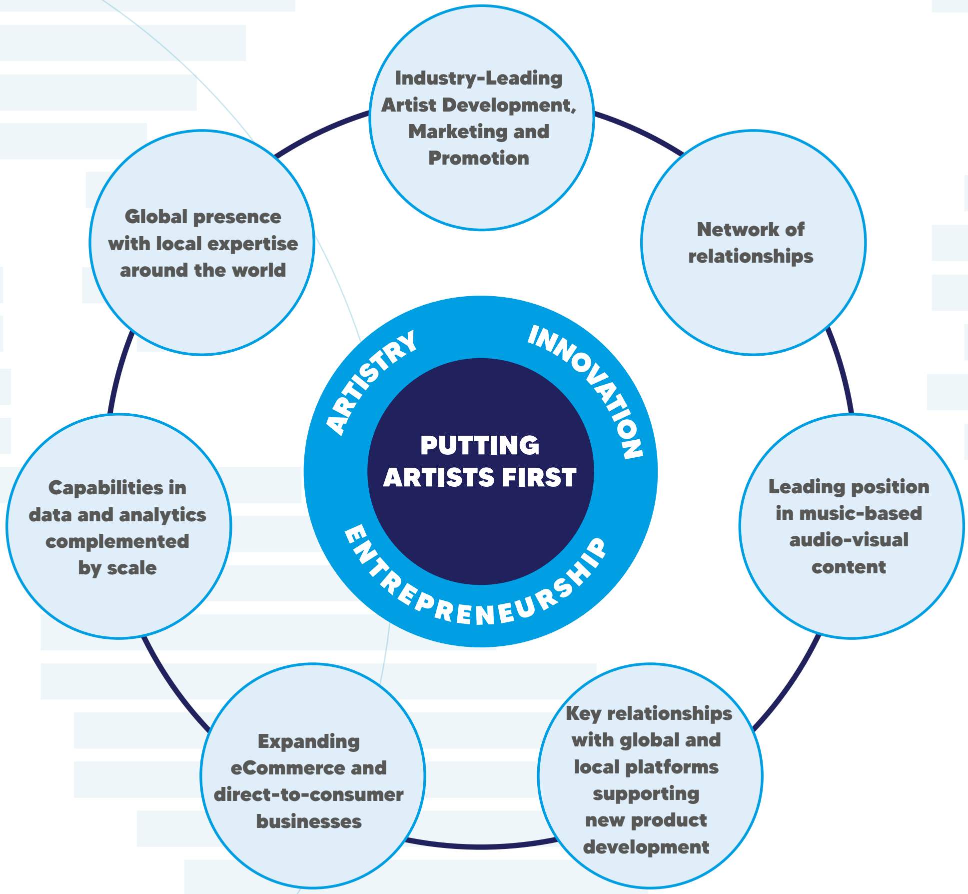
In millions of euros, number of shares in millions, data per share in euros.

HOW UMG ADDS VALUE

INPUT

ARTISTRY	GOVERNANCE	FINANCIAL	SOCIAL

ADDED VALUE



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ESG COMMITTMENTS

ENVIRONMENTAL

SOCIAL

GOVERNANCE

OUTPUT IMPACT AND VALUE CREATION FOR

ARTISTS & SONGWRITERS	FANS	BUSINESS PARTNERS	SHAREHOLDERS

INPUT

ARTISTRY
- **> 3 million** recordings
- **± 4 million** owned and administrated titles
- **> 220** artists / brands in merchandising
- **10,000s hours** of videos

GOVERNANCE
- **One-tier** board
- Board regulations
- RTP policy
- AGM
- Board Committees
- Artist Signings
- Rights Management
- Risk Management

FINANCIAL
- Royalty advance payments, net of recoupments: **€148 million**
- Catalog investments: **€359 million**
- SG&A: **€2,702 million**

SOCIAL
- World leader in music-based entertainment
- Partnerships with DSPs, industry organizations, government agencies and collection societies
- Total headcount: **9,992**
- Offices in **60 countries**
- Covering **nearly 200 markets**

ADDED VALUE

ARTISTRY
INNOVATION
ENTREPRENEURSHIP
PUTTING ARTISTS FIRST

ENVIRONMENTAL

SOCIAL

GOVERNANCE

OUTPUT IMPACT AND VALUE CREATION FOR

ARTISTS & SONGWRITERS
- Highly customized marketing campaigns and promotion
- Protecting artists' IP and rights
- Continuous engagement building lifetime fan value
- Leveraging new technology and partnerships to fuel artistic creativity and commercial potential including eCommerce
- Helping artists elevate their presence and stand out in a sea of content
- Long-term career development
- Supporting and showcasting artist's climate advocacy efforts

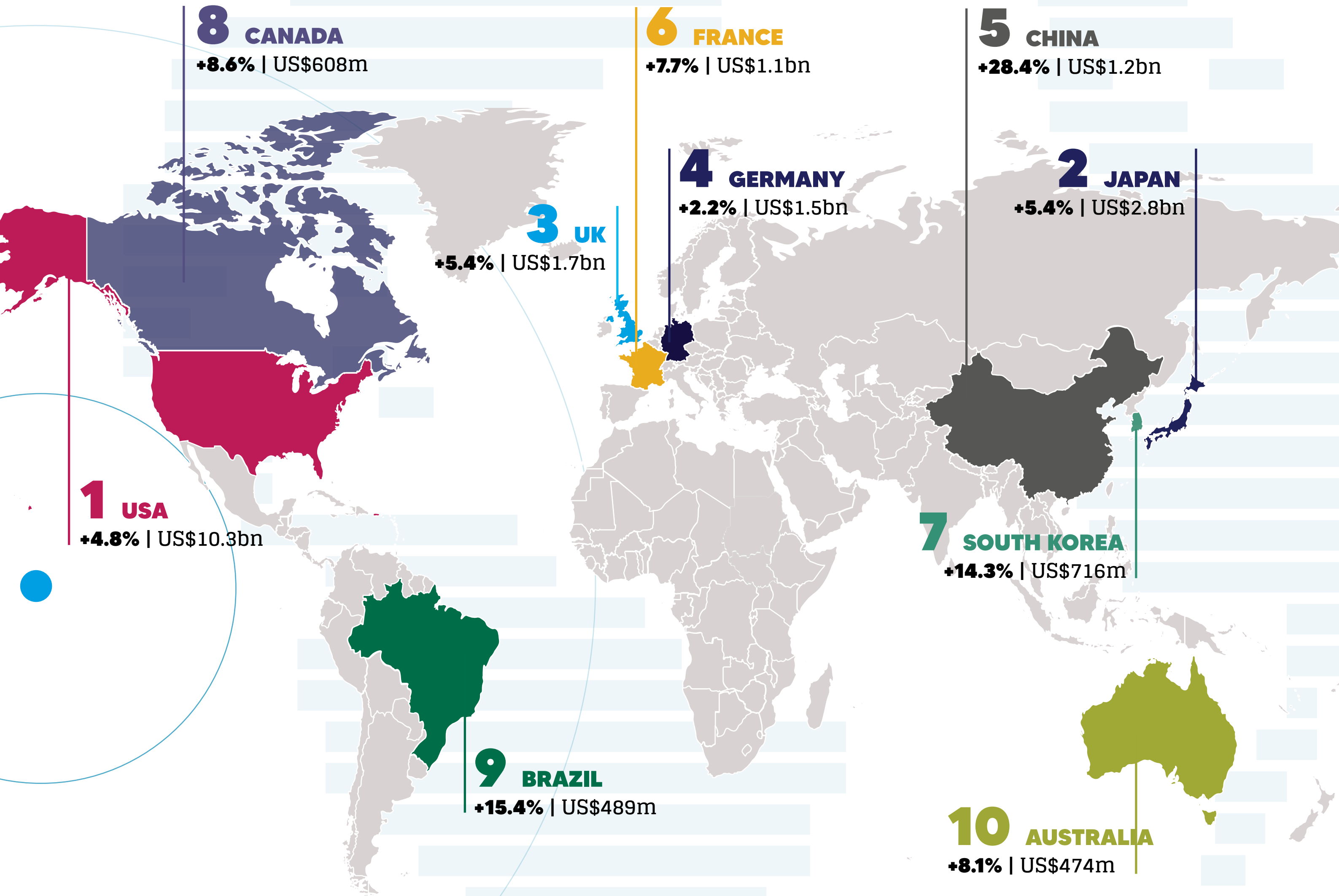
FANS
- Protecting decades of catalog and heritage
- Product innovation, premium products for super fans and extending cultural legacy of artist projects
- Connecting artists to fans
- Creating new fan experiences through project innovation
- Preserving and moving culture
- Supporting communities
- Committing to protect the planet for future generations of music lovers around the world

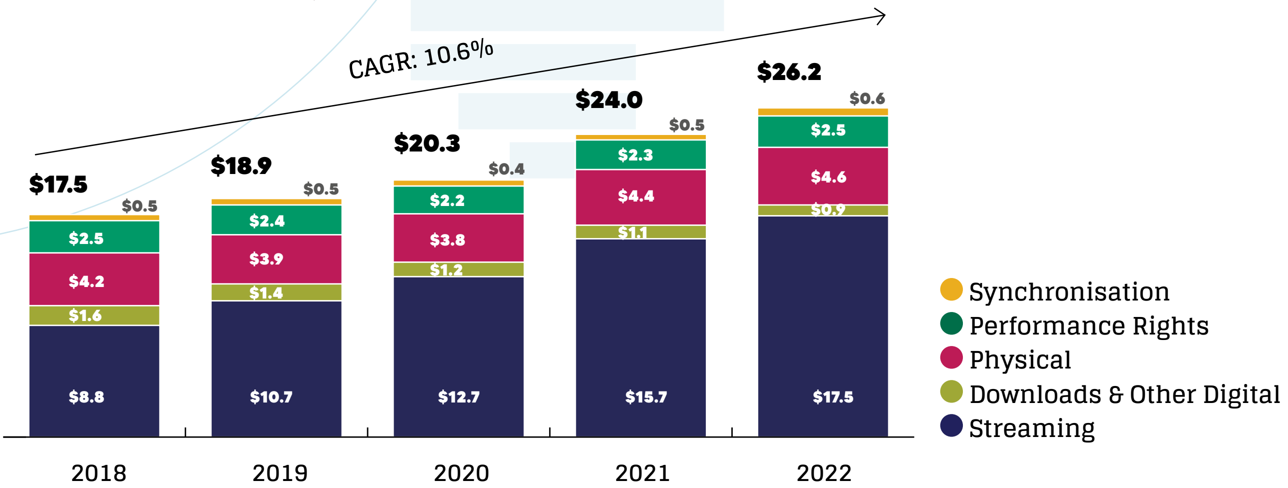
BUSINESS PARTNERS
- Enabling platform partners to grow their businesses by offering the world's most sought-after content
- Leveraging new innovative technologies to expand the addressable market for artists
- Partnering with independent labels and (start-up) entrepreneurs
- Supporting growth of new music markets around the world
- Licensing music for use in other forms of content
- Engaging on and advocating for sustainable business solutions throughout the value chain

SHAREHOLDERS
- 2022 Revenue: **€10,340 million**
- Operating Profit: **€1,600 million**
- Adjusted EBITDA[1]: **€2,135 million**
- Net cash provided by operating activities before income tax paid: **€1,987 million**
- Free Cash Flow[1]: **€1,086 million**
- 2022 Dividend: €435 million interim + €491 million proposed= **€926 million** (Subject to shareholder approval of final dividend)
- Measuring and managing climate-related risk

[1] as defined in the Appendix to the Annual Report

RECORDED MUSIC INDUSTRY – 2022 TOP 10 MARKETS





Global Recorded Music Industry Revenues 2018 to 2022 ($ in billion)

* Source: IFPI Global Music Report 2023

STAKEHOLDER ANALYSIS

We actively engage with our stakeholders to provide them with information about our strategic direction and choices and we seek their input when evaluating our Environmental, Social and Governance priorities (see Main Material Topics). This creates sustainable value for our stakeholders and for us. By promoting two-way communications with our stakeholders and valuing their input, together we create a strong basis for constructive, long-term relationships. This intensive interaction enables us to chart and prioritize the areas they consider crucial. It also gives us insights into the spaces in which we can create positive impact through our business and operations. We subsequently focus on these material areas and proactively communicate our related position and performance.

We have six key stakeholder groups:

1. Artists
2. Fans
3. Employees
4. Distribution Partners
5. Government and Elected Officials
6. Shareholders

ENGAGING WITH OUR STAKEHOLDERS

We see actively and intensively engaging with our key stakeholder groups as a critical part of being a successful and responsible business. Aligned to stakeholders' particular needs and interests, we engage with them in both formal and informal ways throughout the year.

- How we engage with stakeholders
- Main interests
- Our response and impact

1. Artists

We actively engage with artists to serve their needs by:

- Placing recording artists and songwriters at the heart of everything we do
- Ensuring the teams at each of our labels and divisions maintain close relationships with artists
- Interacting directly with our artists via our A&R staff and indirectly through their advisors
- Offering them the choice of the full range of services needed to succeed creatively and commercially, including marketing, promotion, distribution, tour support, e-commerce and film & television

Artists' main interests include:

- Investing in their long-term career development and helping them build sustainable careers
- Making their body of work available to fans
- Helping them connect with fans – old and new – in compelling ways
- Fair compensation for artists and songwriters
- Enabling their direct engagement with fans
- Supporting artists' creative success

We respond to these interests and generate impact by:

- Partnering with the broadest network of global, regional and local distribution partners so artists can share their work with a growing fan base worldwide
- Working with our distribution partners to achieve fair compensation for music content
- Fostering creative expression and collaboration within our diverse roster of artists
- Driving innovation in new technologies that increase music consumption and let fans experience music in new ways
- Helping our artists to engage with their fans via social media, livestreaming events, pop-up shops and other in-person experiences

2. Fans

We engage with fans with a view towards:

- Enhancing accessibility to their favorite artists
- Providing premium products for super fans
- Creating new experiences and opportunities for fans to engage with and experience their favorite artists and music
- Promoting direct relationships to create stronger bonds between artists and fans
- Responding to fan demands for products

Fans' main interests include:

- Providing access to artist content from the widest range of licensed partners
- Offering the commercial and collectable products that fulfill their demands
- Making fans feel directly connected to their favorite artists
- Providing premium products and experiences for fans
- Supporting artistic creativity

We respond to these interests and generate impact by:

- Investing in A&R to ensure fans have new music and products from their favorite artists
- Helping fans engage with their favorite artists via social media, livestreaming events, pop-up shops and other in-person experiences
- Evolving both the fan experience and the creative process through innovation and technology
- Partnering with the broadest network of global, regional and local distribution partners and retailers to help artists share their work with fans worldwide
- Facilitating direct-to-consumer sales through ecommerce and merchandising opportunities
- Utilizing our production, manufacturing and distribution capabilities to create premium and deluxe products for fans

3. Employees

We actively engage with employees in multiple ways, including:

- Actively communicating and listening to employees through written and in-person communications from our People, Inclusion and Culture (PIC) team
- Providing formal (such as career and performance discussions) and informal channels to encourage open communication and gather feedback

- Offering employees online resources to help answer their questions quickly and easily
- Assessing and improving the employee experience and culture in a number of ways, including by conducting surveys
- Engaging formally through employee forums, such as townhalls, community conversations and employee resource groups created to strengthen culture, engagement, retention and belonging
- Responding to employees' individual needs by offering flexible work arrangements

Employees' main interests include:

- A healthy employee relations environment
- A safe, healthy and respectful workplace environment
- Wellbeing resources and support
- Professional opportunities to thrive and grow
- A culture of innovation, inclusion and wellbeing
- Global talent and tools to engage and enhance employee retention
- A culture of entrepreneurship
- Strong representation, inclusion, equity and belonging across the globe to drive change within our industry and our communities
- Meaningful experiences, competitive pay practices and progressive benefits designed to inspire and engage our employees starting day one

We respond to these interests and generate impact by:

- Undertaking ongoing investment in developing our people, including manager and employee training programs to support learning and development
- Recognizing great work through fair and competitive rewards
- Building an inclusive and supportive culture in which all employees feel safe, seen, heard, respected and connected
- Collaborating as part of a global company on shared concerns including learning, diversity and inclusion, engagement, retention and wellbeing
- Care for our people through various initiatives, acknowledging that a healthy and resilient workforce is key to our business growth and success
- Tapping into innovation, collaboration, creativity and artistry across UMG
- Encouraging community engagement and philanthropy through volunteer time off and employee match benefit programs
- Promoting continuous learning and development through mentoring and targeted development programs with an emphasis on sustaining a culture of innovation, inclusion and wellbeing

4. Distribution Partners

We actively engage with our distribution partners in multiple ways, including:

- Establishing corporate business development teams to maintain an ongoing dialogue with distribution partners
- Taking part in regular product innovation discussions, data and analysis sessions and deal negotiations
- Facilitating label-based UMG teams comprising key account managers and streaming managers that work with distribution partners on product implementations, artist-specific projects and initiatives, releases, artist data and best practices
- Providing legal teams that ensure partners remain in compliance with deal terms and maintain ongoing dialogue about potential issues

Distribution partners' main interests include:

- A continued supply of high-quality music-based content for their products and services
- Artists and song catalogs that appeal to consumers worldwide
- Promotional support to drive engagement on distribution partners' platforms
- State-of-the-art systems to deliver content in various formats and ingest large amounts of data

We respond to these interests and generate impact by:

- Conducting fair negotiations based on honesty and integrity
- Drawing up contracts that clearly define the relationship, terms and requirements
- Safeguarding data protection and confidentiality with respect to business trends, new products and features
- Ensuring our recording artists and songwriters are the center of everything we do by pioneering new services, platforms and business models
- Investing in developing talent and successfully producing music markets and promoting artists to fans worldwide
- Providing high-quality/high-resolution audiovisual content

5. Government and Elected Officials

We actively engage with governments and elected officials via multiple means and channels, including:

- Actively educating government and elected officials about the music ecosystem both through informal meetings and by responding to formal requests for information (such as public hearings and consultations)
- Advocating for public policies that benefit the music ecosystem and its members – from artists and songwriters to fans and beyond
- Participating in trade bodies and music-related NGOs and their activities, including the publication of industry statistics, reports and studies on relevant issues and the provision of background materials
- Conversing regularly on a broad range of issues affecting the creative community via our Public Policy team

Government and Elected Officials' main interests include:

- Supporting and preserving culture and art and creative community
- Soft power and national or ethnic pride
- Investment that fuels economic growth and tax revenues to support quality of living
- High-quality, skilled employment for local population
- International respect for domestic creators, including intellectual property rights, trade policies and free expression

We respond to these interests and generate impact by:

- Operating music businesses that create employment and generate economic and fiscal benefits for the communities in which we operate
- Operating a company that supports culture through the creation and distribution of great music and associated content
- Operating at the highest ethical standards and complying with both the letter and spirit of all applicable laws and regulations
- Adhering to business practices that treat artists and songwriters and all creators fairly

- Fostering a thriving music ecosystem

6. Shareholders

We engage with Shareholders in multiple ways, including:

- Participating in investor meetings and teleconferences
- Publishing interim and annual reports
- Presenting quarterly financial results webcasts with management Q&A sessions
- Holding Annual General Meetings
- Publicly issuing press releases
- Updating corporate and investor relations websites
- Managing a dedicated email address for inbound queries
- Participating in financial and industry conferences
- Conversing regularly via our Investor Relations team

Shareholders' main interests include:

- Revenue growth drivers and margin development
- Content and capital allocation
- Company strategy and progress updates
- Competitive positioning
- ESG framework and company values

We respond to these interests and generate impact by:

- Including focused messaging on the strategy and growth drivers across the business
- Furnishing details on our content investments and our strategy around these investments
- Providing details on both our competitive landscape and ESG strategy, metrics and progress

BOARD REPORT

INTRODUCTION

BUSINESS PROFILE

A WORLD LEADER IN MUSIC-BASED ENTERTAINMENT

UNIVERSAL MUSIC GROUP (UMG) is a world leader in music-based entertainment with a broad array of businesses engaged in recorded music, music publishing, merchandising and audiovisual content. UMG has the broadest global reach of any music company with a local presence in more than 60 territories covering nearly 200 markets. Everything we do revolves around supporting artists, promoting innovation and entrepreneurship, and bringing fans the world's best music. Our three core business segments work in synergy to lead the dynamic and ever-changing global music market:

Our **RECORDED MUSIC BUSINESS** is dedicated to discovering and developing recording artists and marketing, promoting, distributing, selling and licensing the music they create. Showcasing an impressive roster of recording artists, a catalog of timeless performers and a diverse range of labels, our Recorded Music business is the partner of choice for artists, innovators and entrepreneurs around the globe. This business also incorporates our commercial activity in Film & TV and independent artist and label services and distribution.

UNIVERSAL MUSIC PUBLISHING GROUP (UMPG) is committed to signing, administering and acquiring rights to musical compositions and licensing them for use in multiple formats. As one of the world's largest and fastest-growing music publishing companies, UMPG has a catalog with nearly four million owned and administered titles and enjoys partnerships with many of the world's top songwriters.

Bravado, our **MERCHANDISING BUSINESS**, represents the merchandising rights of artists and entertainment brands and properties. Providing an end-to-end merchandising ecosystem, Bravado offers services including sales, licensing, branding, marketing, eCommerce and creative resources for clients and innovative experiences for fans worldwide.

LABELS

MULTI-LABEL STRUCTURE EMPOWERS ENTREPRENEURSHIP, ARTISTRY AND DIVERSITY

UMG is home to many of the world's most iconic record labels. Our multi-label structure empowers entrepreneurship, artistry, and diversity. UMG encompasses a collection of iconic and world-class labels, spanning all genres of music, created and led by visionary entrepreneurs.

Our shared passion for discovering recording artists with the talent and potential to break through an increasingly competitive environment for audience attention is at the core of who we are and what we do. Each one of these dynamic labels has a common belief: that an artist they discover and develop will change and drive culture around the world.

This approach produces many benefits. Our collection of dynamic enterprises enables us to effectively cover the music market across all genres and styles, with each label having its own unique culture and history. Decentralized talent-spotting across UMG, employing each label's distinctive identity and creative vision, means we can attract the widest variety of top talent. Healthy competition drives innovation and evolution. We believe that operating multiple major frontline labels in markets around the world yields significant benefits. This is why we continue to develop, revitalize and invest in our label brands.

Our multiple label structure creates a degree of competition even among UMG labels. We believe that this healthy competition drives innovation and creativity and keeps our labels continuously evolving to stay at the forefront of industry trends.

Another benefit of our multiple label structure is that it alleviates short-term performance pressure on any individual label. The knowledge that the different UMG labels will collectively have a continuous flow of new content means each individual label can take a more long-term approach to artist development.

Leveraging mutual benefits and services

Our multiple label structure gives each label the freedom to create and innovate, while enjoying the benefits of being part of UMG. This is because at UMG, we negotiate with platform partners, aggregate data and analytics, share best practices, and centralize certain back-office functions at a company-wide level. This lets us benefit from our scale, while still operating with the spirit of a quick-moving, innovative and entrepreneurial company.

Broadening touchpoints with artists and entrepreneurs through distribution

UMG enjoys longstanding relationships with leading distribution partners, including, for example, HYBE and Disney, to give our partners' artists global reach and best-in-class services. In 2022, we expanded our global distribution network for independent labels and artists, with the launch of Virgin Music Group. This unites our premier label & artist service businesses including Virgin

Music Label & Artist Services, Ingrooves and the recently acquired mtheory Artist Partnerships within the newly created division. With a unified leadership and strategy, Virgin Music Group is driving the expansion of UMG's independent music capabilities across all business units and regions worldwide. In this way we are broadening our long-term relationships and partnerships with new independent artists, labels and entrepreneurs, and further expanding our reach into new music markets.

UMG announced the acquisition of a 49% stake in independent music company [PIAS] in December 2022. This was the next step forward following the formation of a strategic global alliance between the two companies in June 2021. Under the new agreement, [PIAS] will remain fully independent with opportunities for future repertoire and distribution partnerships.

RECORDED MUSIC

RECORDED MUSIC

UMG's recorded music business discovers and develops artists; supports the creation of audio and audiovisual content by recording artists; and markets, distributes, sells and licenses this content across a broad range of formats and platforms. UMG owns and administers the copyright to the audio and audiovisual recordings created by recording artists signed to UMG's iconic labels.

We generate revenue through the physical sales of this content in formats such as CDs and vinyl records, and from its distribution to music streaming and subscription platforms. Our recorded music content is also distributed to consumers through multiple other platforms and forms, including theatrical films, home entertainment, television productions and video games.

Strength in diversity

HOME TO A DIVERSE SET OF LABELS, BRANDS AND CONTENT

UMG is a leading recorded music company. We're home to both the world's premier record labels and groups, and iconic studio facilities. Our roster of recording artists features a diverse portfolio of both global superstars and leading local artists from around the world. Artists signed to UMG as part of our recorded music business span all genres and generations and include many of the greatest recording artists of all time. UMG's iconic label brands include Capitol Music Group, Interscope Geffen A&M, Republic Records, Island Records, Motown Records, Def Jam Recordings, Universal Music Group Nashville, Universal Music Latin Entertainment, EMI Records and Polydor. Our label portfolio also encompasses the world's leading classical and jazz labels, including Blue Note Records, Decca, Deutsche Grammophon and Verve Label Group. We're also home to the world's premiere recording studios, including the legendary Capitol Studios and Abbey Road.

The addition of Virgin Music Group to our recorded music business in 2022 further expands our diverse portfolio. It brings together our leading label & artist service businesses including Virgin Music Label & Artist Services and Ingrooves. Through this portfolio of businesses, we offer a diverse range of premium and flexible independent label and artist services to entrepreneurs and talent. These services span the spectrum from global distribution, insights, data and marketing tools to fully staffed promotion, marketing and artist development teams at both the regional and global levels. This fosters long-term partnerships with UMG, and forges paths to success for entrepreneurs, independent labels and artists.

In addition to recorded music content, UMG offers some 5,000 hours of audiovisual video content across the globe. Our audiovisual content teams develop a wide spectrum of film and television content. Our content spans a diverse mix of genres and eras and features legendary artists represented within our rich and storied catalog of content and intellectual property. We have two content divisions at the heart of our audiovisual operation: Mercury Studios, a multi-faceted content studio and distributor, and Polygram Entertainment, a premium production company. Beyond these two divisions, we also have content operations within our individual labels and other business units. In 2022, Mercury Studios and Polygram Entertainment presented projects including a four-part documentary series My Life as a Rolling Stone (BBC), Shania: Not Just a Girl (Netflix) and Zoey's Extraordinary Christmas (NBC).

Presence spanning the globe

Our recorded music business is both artistically and geographically diverse. We have offices in more than 60 territories, covering nearly 200 markets. This means we operate in more territories and markets than any other recorded music company. Our geographical spread helps us create diversified revenue streams.

In 2022, North America accounted for 51% of our recorded music revenue. Europe, Asia, Latin America and the rest of the world represented 28%, 13%, 4% and 4% of the revenue respectively.

Our extraordinarily diverse roster of artists in turn means we are never reliant on one artist or even a small number of artists. The top 50 artists only accounted for 22%, of UMG's recorded music revenue in 2022.

Diversified revenue streams

Our recorded music business has diversified revenue streams derived from three main sources:

DIGITAL: We enter into agreements with digital music services to make our music and audiovisual content available for access in digital formats, such as streaming and downloads. Our music is streamed on an ad-supported and paid subscription basis through streaming services. Fans are also able to purchase downloads of our music by album or individual tracks through download services. Our music content is also consumed through social media, gaming and digital fitness platforms, among other emerging digital formats that we are working to further monetize. We partner with both well-established and emerging digital music services to provide ever-greater access to audiences engaging with our music in multiple ways.

PHYSICAL: Our physical recorded music products, including CDs, vinyl records, cassette tapes, DVDs and Blu-Ray discs, are sold through retailers and wholesalers both in-store and online. We also sell our products directly to customers via our UMG websites and artist channels.

LICENSING AND OTHER: We enter into agreements to license the use of sound recordings in combination with visual images, such as in films, broadcast television or streaming series, television commercials and video games. As a rightsholder, consistent with local law, we receive royalties when sound recordings are performed publicly through broadcast of music on television, radio and cable, and in public spaces such as shops, workplaces, restaurants, bars and clubs. We also partner with artists to develop their activities outside the traditional recorded music business, and generate revenue through participation in these expanded rights, including sponsorship, fan clubs, artist websites, touring, concert promotion, ticketing and artist and brand management. We also develop and produce music-based audiovisual content, such as music documentaries, feature films, theatrical musical productions, music-based television series and reality shows, which are then licensed for broadcast.

Continued growth across all major recorded music revenue streams in 2022

In 2022, UMG achieved growth across all its major recorded music revenue streams. Recorded music revenue in 2022 was €7,937 million, up 16.3% compared to 2021, and up 8.8% in constant currency. Subscription and streaming revenue grew 18.7%, 9.8% in constant currency, with strong 10.0% constant currency growth in subscription revenue and 9.3% constant currency growth in ad-supported streaming revenues. While ad-supported revenue was pressured in the second half of 2022 due to a downturn in the broader ad-market, fuelled by macroeconomic concerns, ad-supported streaming grew for the year due to ongoing improvement in ad-based monetization and new and enhanced deals in social media.

Physical revenue grew by 7.7%, or 4.1% in constant currency, driven by improvements in both CD and vinyl sales

License and other revenue improved 19.6%, or 13.4% in constant currency, due to improvements in broadcast and neighboring rights collections, audiovisual production income and synchronization, live and brand deals.

A world of stars

Our recorded music business operates in more territories and markets than any other recorded music company. The breadth and depth of our artist roster is unrivalled. We're the destination of choice for the world's most successful stars and a magnet for up-and-coming artists. With a roster featuring legends, global hitmakers, regional stars and breakthrough artists, our artists span generations, genres, languages, continents and cultures.

UMG's best-selling artists include global superstars such as J Balvin, Jon Batiste, Justin Bieber, Luke Bryan, Lewis Capaldi, J. Cole, Daddy Yankee, Drake, Billie Eilish, Eminem, Selena Gomez, Ariana Grande, Imagine Dragons, Lady Gaga, Kendrick Lamar, Lang Lang, Lil Baby, Post Malone, Shawn Mendes, Kacey Musgraves, Katy Perry, Olivia Rodrigo, Chris Stapleton, Taylor Swift, Carrie Underwood and The Weeknd.

Our roster of artists also includes hugely successful local artists such as Sam Smith, Glass Animals and Stormzy in the UK, Angèle and Nekfeu in France, Stromae in Belgium, Rammstein and Helene Fischer in Germany, King & Prince and Ado in Japan, Eason Chan in China and Karol G and Sebastián Yatra in Latin America.

Our recorded music artists once again topped the charts in 2022. UMG had four of the Top 5 global artists on Spotify in 2022 with Taylor Swift, Drake, The Weeknd and BTS. Drake was the most streamed artist on the platform in the U.S. UMG also had four of the top five most-viral artists, led by Taylor Swift at number one, with The Weeknd, BTS and Lana Del Rey also holding top chart positions.

2022 saw UMG artists Imagine Dragons become the most streamed artists on the Deezer platform. The Weeknd, Eminem, Billie Eilish and Queen also featured in the Deezer 2022 top-ten.

VEVO's most watched global artist in 2022 was UMLE Latin superstar Karol G with 2.7 billion views during the year, her video for "Provenza," was the most watched music clip.

Our recorded music artists featured prominently in the 2022 year-end U.S. Billboard charts, with UMG representing seven of the Top 10 albums of the year. They include Morgan Wallen, two releases from Taylor Swift, Olivia Rodrigo, The Weeknd, Drake and Disney's Encanto soundtrack. Glass Animals' hit song "Heat Waves" was named the number one song on Billboard's Hot 100 chart. UMG's Republic Records was named Billboard's "Label of the Year" for the second year running, based on chart success during 2022.

According to the Official Charts Company, UMG had six of the Top 10 artists in the UK in 2022, including Taylor Swift at number one, as well as Drake, Eminem and The Weeknd among others.

In Germany, UMG topped the charts with the top four best-selling albums of the year, led by Rammstein's, alongside Helene Fischer, ABBA and Taylor Swift. UMG also had the top three singles of the year, led by DJ Robin & Schürze's "Layla", and followed by "Heat Waves" from Glass Animals and "Beautiful Girl" from Luciano, according to GFK.

In Japan, Ado was the top artist on the Billboard Japan year-end "Artist 100" chart. And in France, Angèle was the top female streaming artist.

In China, Eason Chan's "Gu Yong Zhe" ("The Lone Warrior"), became the most-streamed song in UMG China's history after topping the charts on all major streaming platforms.

Industry-leading catalog of timeless recordings

Our track record in identifying and partnering with the world's best artists has given us the industry-leading catalog of recordings and songs. These include timeless performers such as ABBA, Louis Armstrong, The Beatles, The Beach Boys, The Bee Gees, Andrea Bocelli, Bon Jovi, James Brown, Neil Diamond, Marvin Gaye, Guns N' Roses, Elton John, Bob Marley, Paul McCartney, Nirvana, Luciano Pavarotti, Queen, The Rolling Stones, Frank Sinatra, Sting, U2, Amy Winehouse and Stevie Wonder.

This diverse catalog gives UMG strong and reliable revenue from sales of prior years' releases. Catalog sales (defined as content older than three years) accounted for 61% of recorded music digital and physical revenue in 2022, while frontline product (content less than three years old) accounted for 39% of recorded music digital and physical revenue.

Growing share of subscription and advertising-based streaming models

We play a prominent role in driving the recorded music industry's transition to paid subscription and advertising-supported streaming models from a physical and digital ownership model. Our revenues in 2022 reflect this shift, with streaming and subscription revenue accounting for 66% of UMG's 2022 recorded music revenues.

We generate subscription and streaming revenue through partnerships that enable UMG's content to be distributed by global, regional and local digital service providers, including Spotify, Apple Music, YouTube, Amazon, Deezer, Tencent Music Entertainment and NetEase, among an increasingly important number of other partners. We also generate subscription and streaming revenues through a variety of social media platform partners ranging from Meta, SNAP and TikTok to digital fitness partners including Peloton and Apple Fitness+.

In addition, we generate revenue through many other partnerships and via emerging digital music consumption models.

In 2022, UMG's Deutsche Grammophon label launched Stage+, a classical music subscription service with a broad offering. Stage+ features exclusive live premieres, long-form concert and opera programs and music videos, plus documentaries and behind-the-scenes interviews. Stage+ furthermore presents new audio releases and albums from the Deutsche Grammophon and Decca catalogs in immersive audio formats.

MUSIC PUBLISHING

MUSIC PUBLISHING

Universal Music Publishing Group (UMPG) is UMG's global music publishing business and is home to the world's greatest songwriters and song catalog. We're recognized as one of the largest and fastest-growing music publishing companies worldwide. Our core activity involves signing, administering and acquiring rights to musical compositions and licensing them for use in different formats. We license musical compositions for use in sound recordings, films, television, advertisements, video games, concerts and other public performances and for use in printed sheet music and song folios. Our vast catalog of original music and arrangements has incredible breadth and diversity. We enjoy longstanding relationships with leading film and television studios, global brands and digital service providers who use our music and arrangements in their content and products.

Creating commercial and creative value for songwriters

Songwriters come first at UMPG. We're dedicated to giving them best-in-class service to maximize royalty streams in the modern-day music industry. To achieve this, we deploy both the hands-on expertise of the best people in the industry and cutting-edge technology to maximize opportunity and value for our songwriters both commercially and creatively. We combine global reach and a local presence, with teams of local representatives operating in 40 countries. These teams focus on discovering, signing and developing talent and creating unique opportunities for success on a local, regional or global scale. This physical presence is vital in maintaining relationships with collection societies worldwide to ensure all generated income is accounted for and collected on behalf of songwriters and copyright holders. As part of the world's largest music company, we're uniquely positioned to develop collaborative strategies between publishing and recorded music. All with one aim: to add value for our songwriters.

Multiple revenue streams

Our music publishing operations derive revenue from five main sources:

PERFORMANCE: The rightsholder receives revenues when the musical composition is performed publicly through broadcasting of music on television or radio, and during a live performance at a concert or other venues such as nightclubs, bars, restaurants, hotels and retailers.

DIGITAL: The rightsholder receives revenues when musical compositions are distributed through audio and visual streaming services, download services, social networks and other digital music services.

MECHANICAL: The rightsholder receives revenues for musical compositions embodied in recordings sold in any physical format or configuration such as CDs, vinyl and DVDs.

SYNCHRONIZATION: The rightsholder receives revenues for the right to use the musical composition in combination with visual images such as in films or television programs, television commercials and video games as well as from other uses such as in toys or novelty items and merchandise.

OTHER: The rightsholder receives revenues for use of the musical composition in sheet music and other uses.

Music publishing achieves increased growth

Music Publishing revenue amounted to €1,799 million in 2022, up 34.8% year-on-year, or 26.3% in constant currency. The continued growth of subscription and streaming revenue, along with the recovery in synchronisation and performance revenue, was the main driver behind the overall increase in music publishing revenue, but revenue also benefited in 2022 from catalog acquisitions made in prior years.

In 2022, UMPG benefited from two key rulings in the U.S. that were a big win for the publishing and songwriting community. In July 2022, the Copyright Royalty Board reaffirmed the 15.1% headline rate increase in royalties paid by streaming services to publishers for the 2018-22 period following a protracted dispute with streaming services. This was followed in September with a further increase in mechanical royalty rates to 15.35%, to be paid to songwriters from 2023 to 2027. This is the result of a long collaborative effort by the NMPA, NSAI, members of the UMPG team and the wider songwriting community in the U.S. to ensure recognition and fair pay for our songwriters.

Global scope and local focus in music publishing

We are a global leader in publishing with a vast catalog containing nearly four million owned and administered copyrights. With 860 employees operating at 48 offices in 40 countries, we have global scope with a local focus.

In 2022, we launched the UMPG Global Creative Group to support our songwriting community. The group comprises a team of senior A&R executives across key territories who identify and expand global creative opportunities for UMPG songwriters, artists and producers. This group reflects our commitment to keep innovating our leading A&R publishing strategy. It provides us with a strong vehicle for empowering UMPG's creative leadership to accelerate global talent strategies and maximize high value opportunities for our world-class songwriters.

A chart-busting year

For the third consecutive year, UMPG-signed songwriter Bad Bunny was the most streamed global artist on Spotify in 2022. Garnering over 18.5 billion streams in 2022, he more than doubled the amount he achieved in 2021. He was joined in the top five most streamed artists by UMPG signed writers Taylor Swift, Drake and The Weeknd, all three of whom are also Universal Music Group recording artists. Bad Bunny's *Un Verano Sin Ti* was also the most streamed album on Spotify in 2022. UMPG also had a share in all five of the Top 5 of Spotify's 2022 most streamed songs globally led by Harry Styles with "As It Was".

Apple Music named UMPG-signed songwriter Bad Bunny the 2022 Global Artist of the Year and named his *Un Verano Sin Ti* the most streamed Latin album of all time on Apple Music. UMPG writers contributed to nineteen of the top twenty singles of the year on Apple Music, led by "Stay" from The Kid Laroi & Justin Bieber.

UMPG had a share in four of the top five albums of the year in the U.S. according to Billboard, and all the top four artists, with Bad Bunny, Taylor Swift, Harry Styles and Drake. UMPG-signed writers also contributed to all the top five singles of 2022 on the Billboard Year-End Hot 100 Song Chart.

UMPG won the title of “Publisher of the Year” at three leading awards competitions in 2022: Music Business Worldwide A&R Awards, BMI Pop Music Awards and BMI Latin Awards. Our Chairman and CEO, Jody Gerson, received the prestigious Abe Olman Publishing Award at the 51st Songwriters Hall of Fame Awards.

We remain the global publisher of choice for film and TV studios. In 2022, we secured a new landmark deal with Univision, following deals with Banijay and Moonbug Entertainment in 2021.

2022 also saw some of the world’s greatest songwriters and artists sign with UMPG, including Dave Bailey (Glass Animals), Clairo, Nicky Youre, Fourtet, Bicep, film and TV composer Nicholas Britell, and Oscar and Grammy-winning composer Hildur Guðnadóttir. We also extended our agreement with the estate of legendary Mexican recording superstar and prolific songwriter Juan Gabriel.

Rich mosaic of songs spanning every era and genre

UMG is home to the greatest songwriters in history. We have a global catalog containing nearly four million owned and administered copyrights.

Our unrivalled catalog is a rich mosaic of songs spanning myriad eras, generations, genres and languages. We take a portfolio approach to growing and managing our catalog. As a result, we have a mix of songwriters from around the world, with works in our catalog representing every genre – from country to Latin to pop to urban to K-pop and J-pop. Our catalog is filled with evergreen songs spanning generations from “Like a Rolling Stone” to “Every Breath You Take” and from “All I Want for Christmas” to “Staying Alive”. This combines to create an ever-evolving portfolio that is unmatched in terms of its richness and diversity.

Our music publishing catalog includes some of the world’s most popular songs from major songwriters and artists such as ABBA, Adele, Axwell & Ingrosso, J Balvin, The Beach Boys, Beastie Boys, The Bee Gees, Irving Berlin, Leonard Bernstein, Justin Bieber, Benny Blanco, Chris Brown, Mariah Carey, Brandi Carlile, Kenny Chesney, Coldplay, DaBaby, Jason Derulo, Neil Diamond, Disclosure, Drake, Dua Lipa, Bob Dylan, Billie Eilish, Eminem, Gloria and Emilio Estefan, Florence + the Machine, Future, Selena Gomez, Ariana Grande, Al Green, Josh Groban, Halsey, Jimi Hendrix, H.E.R., Imagine Dragons, Carly Rae Jepsen, Billy Joel, Elton John/Bernie Taupin, Jonas Brothers, Alicia Keys, Kendrick Lamar, Lil Baby, Lil Yachty, Linkin Park, Logic, Demi Lovato, The Mamas & the Papas, Steve Mac, Maroon 5, Dave Matthews, Megan Thee Stallion, Shawn Mendes, Metallica, Miguel, Nicki Minaj, Maren Morris, Mumford & Sons, Pearl Jam, Post Malone, Quavo, Otis Redding, R.E.M., Red Hot Chili Peppers, Rex Orange County, Rosalía, Carly Simon, Britney Spears, Harry Styles, Taylor Swift, SZA, Shania Twain, Justin Timberlake, U2, Keith Urban, Jack White, and Zedd.

We expanded our catalog further in 2022 to include songs written by global icons whose works represent the most timeless and important songs in history. UMPG announced the acquisition of 17-time Grammy Award winner Sting’s career catalog of music in February 2022. This historic, worldwide agreement encompasses the entirety of both his solo works and works created with The Police. This landmark deal unites Sting’s song catalog with his recordings at UMG.

2022 also saw UMG and UMPG announce the acquisition of the entirety of Neil Diamond’s historic song catalog and the rights to recordings from throughout his career. This includes 110 unreleased tracks, an unreleased album and archival long form videos. This comprehensive deal brings together Neil Diamond's entire body of work and expands his existing relationship with UMG and UMPG.

UMG additionally entered into an agreement with the Zappa Trust to acquire Frank Zappa's estate. This includes his expansive publishing catalog of iconic songs, film archive, and the complete contents of The Vault, the storage facility that houses the late Zappa's life's work and name and likeness rights.

We also announced in 2022 an expansive, long-term partnership with The Weeknd - one of the most commercially successful and critically acclaimed recording artists and songwriters of the last decade. This new long-term deal will take effect when his existing commitment expires. Based on this new relationship, we will administer all his future works and songwriting catalog.

We entered into an expanded relationship with Authentic Brands Group (ABG), a global brand owner, marketing and entertainment company, and owner of Elvis Presley Enterprises. Under this exclusive global publishing deal, we will represent the historic song catalog of Elvis Presley.

UMPG furthermore entered into an exclusive global publishing agreement to fully represent the iconic song catalog of Irving Berlin. We have served as his catalog administrator outside of the U.S. since 2012 and this deal further expands our relationships with Berlin's estate. One of the greatest songwriters in American history, Berlin composed more than 1,500 songs over his 60-year career. Under the expanded agreement, we exclusively represent his catalog of renowned classics including "Anything You Can Do," "Puttin' On The Ritz," "There's No Business Like Show Business," and Guinness World Records' longtime best-selling single "White Christmas."

In 2022, Universal Music Publishing China signed an exclusive global publishing agreement with China-based RYCE Publishing. RYCE is the publishing unit of music and entertainment company RYCE Entertainment. Spanning a massive catalog of over 700 songs, the landmark deal sees UMP China exclusively lead global administration responsibilities. The deal encompasses administering some of the country's all-time best-sellers and tracks, which have helped establish Chinese Pop (C-Pop) as a global force, and the rights in China to a sizeable song catalog of popular Korean K-Pop songs.

Bringing songwriters transparency, integrity and trust

We deploy cutting-edge technology and expert administration services to benefit our songwriters. UMPG Window is our highly advanced technology platform through which we provide our songwriters and clients with real-time information on earnings, royalty and copyright data. This advanced system reflects UMPG's longstanding commitment to transparency, integrity and trust.

UMPG Window uses the latest in cloud-indexing technology to provide comprehensive views of where, when and how songs are consumed around the world. UMPG Window also features: one-click, no-fee advances; international royalty 'pipeline' income views; society registration information, status, and full copyright details on all works; comprehensive film and TV information for works used and royalties earned; and numerous other powerful tools to help our songwriters and clients.

Partnering with top film and TV content studios

We're a leading publisher in the film and television business. UMPG partners with leading film and TV content studies ranging from Warner Bros., NBC Universal, Disney and HBO to MGM, Banijay, Paramount, Lionsgate, Viacom, and STX. We further expanded our portfolio of partnerships with the addition of a new global partnership with Univision.

This leading position means we represent some of the world's most iconic film and TV theme songs. With the unstoppable rise of video content, major content publishers from gaming to TV to motion pictures turn to us to help them build the soundtracks for their projects.

MERCHANDISING

ECOSYSTEM UNITING CREATIVE DESIGN, PRODUCTION AND DISTRIBUTION

Bravado is UMG's global, full-service merchandising business. With a portfolio spanning more than 220 artists, we hold the leading position in music merchandising worldwide. Through Bravado, we develop high-quality licensed consumer products that reflect and reinforce an artist's brand and identity and presents them to a worldwide audience. Our artists and brands have access to a unique end-to-end merchandising ecosystem that brings together creative design, production, and distribution. We work closely with new and established clients to create innovative products that are carefully tailored to the brand or artist.

Our products include apparel and accessories, home goods, toys, games, luxury goods, food and other retail merchandise. They are sold through selected retail outlets and Web-based stores, both directly and through third parties, and on live tours. By tapping into UMG's global network, we can offer a comprehensive range of services, including sales, licensing, branding, marketing, eCommerce and creative resources. Our focus is on building connections between fans and artists by creating and developing innovative cultural and retail experiences for fans worldwide.

Our merchandising revenues are derived from four main sources:

TOURING INCOME: Sales of physical merchandise products directly to consumers at venues during tours. This also includes concession income, which is the sale of physical merchandise products directly to consumers at concessions within venues. The right to sell at concession is not limited to specific tours, Bravado-signed artists or music events, but can also encompass other events within venues.

RETAIL: Sales of physical merchandising products to wholesalers and retailers.

LICENSING: Fees received from third party licensees to use our merchandising rights in products sold by or sub-licensed by the licensee.

ECOMMERCE/DIRECT-TO-CONSUMER: Sales of physical merchandise product through an online direct-to-consumer channel. This also includes VIP events and fan clubs, which is the sale of premium experiences and exclusive access through a direct-to-consumer channel.

In 2022, our merchandising business realized exceptionally strong growth, particularly from touring income, as global touring resumed following COVID-related shutdowns during much of 2020 and 2021.

In total, Merchandising and Other revenue grew to €618 million, up 70.2%, or 54.1% in constant currency, driven by the growth in touring related revenue.

Roster of clients with the greatest names in music

Bravado signs agreements with clients that provide for usage rights of the client's name, image and likeness across product categories and distribution channels. In return, clients receive a royalty or a share of the proceeds for all items sold. Services can include merchandising, direct-to-consumer products and campaigns, touring, brand and retail licensing and distribution.

Our roster of clients includes some of the biggest names in music. We provide merchandising services for leading artists including Aerosmith, Ariana Grande, Billie Eilish, Blackpink, Bob Marley, Elton John, Guns N' Roses, Justin Bieber, Kiss, Lady Gaga, Queen, Selena Gomez, Taylor Swift, The Rolling Stones, Shawn Mendes, The Weeknd and The Who. A number of Bravado artists are also signed across other UMG businesses, allowing for synergies and increased opportunities for artists.

In 2022, Bravado entered into partnership with The Beatles to represent the legendary band's North American rights and to develop new merchandise opportunities for The Beatles across retail, licensing and e-commerce. The new agreement reunites the band's merchandise business with their recorded music catalog for a unified brand strategy. Avril Lavigne, Demi Lovato, Illenium, Fletcher, Lauren Daigle, The Scorpions, Shania Twain, and Stormzy were also added to the Bravado roster in 2022.

Sparking connections with fans

Our in-house creative development team at Bravado designs products that reflect the client's vision and spark connections with fans. Our creative team operates at the intersection between art, music and fashion. They identify key trends in all three areas and create compelling products and experiences that are in tune with today's culture. As part of a world leading music-based entertainment company, we're uniquely positioned to create fresh and exciting products that match an artist's brand and identity.

Touring

At Bravado we create physical merchandise products to sell at venues directly to consumers during tours. In 2022, we achieved strong growth through post-COVID touring. Our merchandise was sold during numerous tours including Billie Eilish, Blackpink, Elton John, Imagine Dragons, Justin Bieber, Lady Gaga, The Rolling Stones and The Weeknd.

Global Retail

We have developed the most extensive global distribution network in the industry. Our strong direct relationships in the retail sector and ability to curate a mix of products and experiences hold the key to our success. Our global and in-market local teams work in close collaboration to manage our brands consistently and effectively across all markets and countries. Thanks to this localized approach, our activities are tailored to each individual market to achieve maximum reach and results.

In 2022, we once again focused on realizing a distinctive and successful offering during the holiday shopping season. We launched dozens of holiday marketing campaigns for artists including The Rolling Stones, BLACKPINK and Lady Gaga.

We further expanded our physical presence in the global retail space in 2022. During the year under review, we continued to develop RS No. 9. It is our physical The Rolling Stones store in the heart of London that showcases collaborations with brands including Kirk Originals, Nixon watches and Umbro.

Collaborations

In 2022, we continued to explore new and exciting ways to enlarge consumer audiences for our clients. We spurred collaborations between premiere brands and our clients. These unique collaborations included: 2Pac and Fila; Doja Cat and House Party; Freddie Mercury and Hugo Boss; The Rolling Stones and the Royal Mint, the official maker of UK coins; and The Who and Pretty Green.

Licensing

Our licensing services extend the scale and scope of our brands into categories beyond apparel and traditional consumer products. We leverage dynamic partnerships across a range of platforms and categories from footwear and accessories to gaming and spirits. Working closely within an extensive global network of best-in-class licensees, we develop dynamic brand partnerships that reach new and diverse audience segments without diluting the artist's brand.

Consumer Experience

Through surprise pop-ups and other unique events, we connect fans and their favorite artists more directly and create unforgettable moments that maximize customer engagement.

In 2022, we created a number of fun consumer experiences. This included presenting pop-up shops for the 1975, Blackpink, Conan Grey, Justin Bieber, Queen, and Stormzy, in partnership with 0207 Def Jam. 2022 also saw us create even larger fan experiences, such as partnering to produce the Tupac Shakur Wake Me When I'm Free Museum that included Tupac Shakur's Powamekka Café by Fixins Soul Kitchin. Another highpoint of the year was Elton John's LA TakeOver that included a unique pop-up installation at the Los Angeles flagship store of luxury multi-brand retailer The Webster. In 2022, we also brought about partnerships with companies including Monty's Good Burger and Urban Outfitters.

Bravado curated a range of enhanced concert experiences in 2022. We created these experiences for clients such as Kevin Hart, Def Leppard, and KISS. The experiences included artist meet and greets, photo ops, backstage tours, access to the artist soundcheck, VIP hospitality lounges, and exclusive VIP merchandise.

BOARD REPORT

STRATEGY

DRIVING GROWTH BY PUTTING ARTISTS FIRST

Putting recording artists and songwriters first. It's how we achieve long-term growth and success. That's why our artist-centric approach forms the foundation of our global strategy. Everything we do revolves around discovering, developing, breaking, retaining and advancing the careers of recording artists and songwriters with the potential for lasting success. Our strategy to sign the most promising artists, build relationships with established artists, invest in new music and local artists, broaden the music marketplace, expand eCommerce, and spur innovation serves as our roadmap to sustained growth. Our strategic course is further guided by our commitment to help the artist and fan communities in which we do business (see the "Non-Financial Information" section of this report).

Retaining and expanding relationships with artists

Leveraging our industry-leading A&R, marketing and promotion capabilities enables us to sign talented recording artists and songwriters. We partner with them to both build successful careers and to enhance the enduring value of our catalog across genres and geographies.

Retaining and expanding relationships with artists with whom we have partnered for many years is a top strategic priority. We achieve this through focused efforts, resources and expertise – especially in value-added services such as merchandising, branding and sponsorship, film and television production and eCommerce.

The expansion of our global partnership with The Weeknd in 2022 is an inspiring example of these efforts. The deal expands his long-standing relationship with UMG across recorded music with Republic Records, music publishing with UMPG, and merchandise and audiovisual projects with Bravado.

These far-reaching partnerships reflect our value proposition to artists. Our strategic aim is to continue expanding these relationships as an avenue for the continued growth of our business.

Engaging our networks to benefit our artists

The power of our network of relationships is a key differentiator. It is instrumental to our ability to build the finest roster of artists, songwriters and other creative partners. We are proud to be the first choice for a range of industry leaders, including music and entertainment companies, artist representatives and consumer brands.

These partnerships, which span a range of activities from music distribution to publishing administration and beyond, dovetail with our "Artists First" approach: we tap into these relationships to broaden opportunities for our current artists and identify new artist talent to expand the scope of our A&R capability.

In recorded music, we have deep, long-term partnerships with independent record labels including Disney, Concord, Roc Nation, Big Machine, HYBE and Quality Control, in addition to the hundreds of independent labels and artists around the world who work with UMG's Virgin Music Group – which includes Virgin Music Label & Artist Services and Ingrooves.

These relationships are mutually beneficial, capitalizing on UMG's global infrastructure to empower artists by helping them reach the broadest set of music fans.

As a music publisher, we have positioned ourselves as a leading rights administrator for the world's most prominent film and TV studios, including Banijay, HBO, Lionsgate, MGM, NBC Universal, Paramount, STX, Univision, Viacom, Walt Disney, Warner Bros. and many more.

Through our relationships, we also partner with dozens of the world's leading brands to further engage our artists and fans and to help our partners authentically and strategically build their brands. We've entered into multi-year global sponsorships with top brands, including Citibank, Lenovo, Marriott, Microsoft and Pokémon.

In 2022, we focused on creating consumer product partnerships between our artists and high-profile brands, such as Coca-Cola, Samsung, Sprite, FIFA, Lego and DHL.

Leveraging eCommerce and direct-to-consumer businesses to engage directly with fans

We tap into major opportunities to utilize our vast amount of consumer data and insights to expand our eCommerce and direct-to-consumer businesses globally across all of our business segments. Through our direct-to-consumer business, we enhance direct relationships with fans, empower unique experiences and bolster our proprietary data.

We have billions of touchpoints with music fans across digital services and platforms around the world. This makes us as UMG uniquely positioned to understand music fans and their tastes. Music superfans have historically spent more on the artists and music they love than the average customer. They still purchase physical media on a large scale, as reflected in surging sales of vinyl records and artist merchandise. UMG's global physical operations teams, labels, and supply chain partners work together to develop and roll out increasingly sustainable physical audio offerings for artists and their fans including recycled vinyl, board-based CD packages, plastic overwrap alternatives, and plant-based closure stickers.

However, with paid subscription services becoming the dominant form of music consumption, we do see the digital spend differences between superfans and average customers flattening. On the other hand, superfans continue to out-spend average consumers on digital music experiences just as they have always done with physical merchandise. This is why we are strategically expanding our direct-to-consumer efforts to meet this growing demand. This includes the sale of non-fungible tokens (NFTs), digital goods and other virtual products. For example, KINGSHIP, a virtual supergroup created by UMG's 10:22PM label, released a Key Card NFT that spent six consecutive months in the top 5 on Billboards Music NFT chart in 2022.

We follow a holistic direct-to-consumer strategy that complements partner platforms, optimally serves fans and grows direct audience connections. Our approach focuses on reaching fans with compelling eCommerce opportunities wherever they engage with our artists, from specialty websites to massively scaled partner platforms.

Our approach includes five key areas:

EXPANDED ECOMMERCE ECOSYSTEM: Reaching fans through frequently visited websites and other platforms.

PRODUCT DESIGN AND DEVELOPMENT: Creating best-in-class music merchandise to drive and fulfill demand.

DROP TACTICS: Presenting elevated experiences around product drops to capture audience and build artist-fan engagement.

MARKETING STRATEGY: Developing globally coordinated media plans to reach existing fans and appeal to new consumers.

AUDIENCE DEVELOPMENT: Building long-term relationships with music fans, generating loyalty and increasing the lifetime value of a consumer.

The elements of this strategy are dynamic. Whether it's pricing, supply chain or audience outreach, we actively review and respond to both new data and insights and technological advancements.

Supporting innovation and expanding into new product offerings

At UMG, we promote innovation across the digital ecosystem through partnerships in new product categories and active engagement to support our partners' evolution.

Our strategy is to maximize opportunities for introducing new products, services and revenue streams across segments spanning fitness, health/medical, social media, gaming, livestreaming, voice and other categories.

IMMERSIVE AUDIO: UMG is carrying out a multi-year project with Dolby to develop the most important evolution in music listening in decades: Immersive Audio. This breakthrough technology dramatically improves the listening experience for consumers.

Dolby's Immersive Audio format, branded Atmos, creates a music experience that lets UMG reinvigorate classics from our vast, industry-leading catalog. It also gives our artists a much wider sonic palette for expressing themselves through both current releases and new projects developed to take advantage of this expanded soundscape.

Years of investment and innovation have been put into achieving this advancement. We've created purpose-built state-of-the-art recording suites at our iconic studios, including Capitol Studios and Abbey Road, and trained the world's top engineers to optimally utilize this new technology. We are also conducting an extensive campaign to educate artists and estates on the limitless creative opportunities Immersive Audio provides.

Consumers who experience it, love it, with 8 out of 10 saying it is "much better quality than traditional stereo audio" and 90% saying they will likely listen to an artists' music longer if it is in immersive format.

As opportunities to experience this groundbreaking technology increase, so will consumer adoption. In 2022, UMG, along with Apple and Mercedes-Benz, announced that Mercedes will be the first automaker to natively offer Spatial Audio with Dolby Atmos from Apple Music. We expect similar announcements to follow from other automakers.

Spatial Audio is also not limited to the car or home audio systems as new headsets from Apple, Sony, Samsung and many others increasingly incorporate the technology and make the immersive experience available to hundreds of millions of consumers.

In 2022, The Beatles' 1966 masterpiece *Revolver* was released for the first time in immersive audio. Taylor Swifts' *Midnights* was also released in Atmos and broke the all-time record for the biggest album released in Spatial Audio on Apple Music worldwide.

Stage+, the classical music subscription service launched by UMG's Deutsche Grammophon in 2022, also features new audio releases, and select titles from the Deutsche Grammophon and Decca catalogs in immersive audio formats.

SOCIAL MEDIA: Starting with our landmark 2017 commercial partnership with Facebook, we accelerated our leadership position through innovative new agreements with additional social media players. Our success in the social media segment is reflected in the fact that UMG's artists are regularly the most-followed recording artists across social media platforms like Facebook, Instagram and YouTube, as demonstrated on the website www.musicfuels.com.

In 2022, UMG renewed its global agreements with Meta and Amazon, the latter including Twitch. This further expands our social media partnership portfolio and the opportunities, both for our artists and labels, and the creator community.

In January 2022, we expanded our global agreement with Amazon, which includes their livestream social platform Twitch. Twitch and UMG are now collaborating to create new innovative opportunities for artists and labels and to engage fans and new audiences creatively and commercially. 3point5, UMG's official Twitch channel launched in October 2022.

In July 2022, we announced a new deal with Meta that expands revenue sharing and enhances the Meta community's engagement with UMG's catalog.

We announced a new partnership between UMG, UMG's Republic Records, Simon Cowell and Syco Entertainment in October 2022. Within this collaboration, we are creating StemDrop, a groundbreaking new evolution in musical collaboration, curation and artist discovery which has been launched exclusively with TikTok and Samsung as partners. Creators are provided with music 'stems' accompanied by an in-app production tool within TikTok. They're invited to create, record and share their own versions of a brand-new song "Red Lights", which has been written especially for the project by the hit songwriting team led by the legendary Max Martin. This has resulted in millions of views and thousands of submissions. StemDrop serves as an incubator for new talent, artistry and creativity – with further song drops to follow in the future.

These agreements enhance our strategy of monetizing social engagement and deepening relationships between fans and artists.

HEALTH & FITNESS: Since launching our Peloton partnership in 2017, we've led the industry in crafting new licensing models for integrating music within the thriving health and fitness category. We have new and expanded partnerships with Equinox+, Liteboxer, Barry's Bootcamp, Calm, CLMBR, Muru Health, SATS, STEEZY, Stryde and Zygo.

In June 2022, we were named as the exclusive launch partner for an AI-driven music app for the care of people affected by dementia. The app, called Vera, was developed and launched by Music Health, a Music Wellness Technology innovator. Vera is an intuitive music intervention tool that lets users access the entire UMG catalog to develop personalized music stations specifically designed to improve the lives of people living with dementia.

2022 also saw UMG partner with Y7 Studio to launch the Internet's first digital yoga platform. It features synced music integrated into all classes that can be accessed through a new digital-only subscription or omnichannel membership. We serve as the exclusive music partner of the digital platform. In this role we enable an immersive yoga experience driven by both today's biggest hits and the most iconic songs of all time from the company's roster of award-winning artists.

In 2022, we collaborated with the subscription-based VR fitness app Supernatural, becoming an official music partner and participating in the debut of the Supernatural Artist Series that presents new Meta Quest/Oculus-ready workouts choreographed to artist playlists.

Abbey Road Studios announced in November 2022 that MediMusic is the 18th start-up to join its music incubation program Abbey Road Red. MediMusic is a platform that dispenses music as medicine to help with the symptoms of dementia, anxiety and pain. It delivers music chosen using its proprietary algorithms and digital fingerprints - soon to be informed by machine learning.

In 2022, an IFPI study found that 69% of people believe that music is important to their mental health, and 69% called music an important part of their exercise routine. UMG is excited by the idea of using music for medical and health purposes. We will continue to expand our relationships in this space over the coming years.

GAMING: We are actively harnessing mass audience participation in the game segment as we advance strategic engagement of the metaverse opportunity that is developing in the gaming space.

We carried out a number of innovative projects in this space in 2022. One project entailed partnering with Elton John, Rocket Entertainment and Roblox to launch "Beyond the Yellow Brick Road" on Roblox. It is a virtual experience that gives fans a new way to enjoy Elton John's timeless music, and to express themselves through his iconic fashion co-created with the community. "Beyond the Yellow Brick Road" provides a unique vehicle for experiencing Elton John's impact on popular culture in a new, creative, and unique way.

In another example from 2022, Meta hosted *Post Malone's Twelve Carat Toothache: A VR Experience*. The 40-minute concert film premiered in Venues within Horizon Worlds, a free online virtual reality app where users can enjoy VR events together via Meta Quest headsets. This immersive experience helps drive a deeper connection between artists and fans in a virtual world.

Universal Music Japan announced in September 2022 that it is collaborating with The Pokémon Company to launch the Pokémon Music Collective. This project features a series of new music by artists inspired by the game music and sounds of the Pokémon video game universe. J-pop music producer and artist imase kicked off the series with his track "Utau." The Pokémon Music Collective project will continue to release new songs by artists from different genres.

VOICE: UMG is a pioneer in the field of voice. Since serving as a launch partner for Amazon's voice-activated music service in 2016, we have played a key role in expanding voice-activated music to hundreds of millions of smart speakers around the world via Amazon, Apple, Google and other partners.

LIVESTREAMING: We continue to work with our artists to create compelling and creative live streaming experiences for fans. In September 2022, Billie Eilish's *Happier Than Ever* world tour concluded with a special livestream on Apple Music. The concert was produced by Interscope Films and captured during one of her five stops at London's famed O2 Arena earlier in the summer of 2022. In November 2022, *Elton John Live: Farewell From Dodger Stadium* was the first ever global live stream on Disney+. The exclusive stream from Los Angeles saw the icon close out the North American leg of his Farewell Yellow Brick Road Tour.

Bringing talented local artists to the world's fans

As demonstrated by the global explosion of reggaeton from Latin America and the popularity of K-pop far beyond Asia, the next big global hit could come from anywhere in the world. This is why local A&R is essential to a successful global strategy. By deploying our international resources, we bring talented local artists to the world's fans.

The diversification of music industry revenue sources across the globe elevates the importance of fostering local talent

At UMG, we provide artists and labels of all sizes with the opportunity and services needed to succeed in the global music market. This in turn increases our success and visibility across all major markets and continents.

Our A&R teams sign and identify artists with the potential to grow from local success to regional and eventually international success. 62% of UMG's physical & digital recorded music revenues came from local repertoires in their own countries. Our expansion strategy in Africa, Asia, Europe and MENA (Middle East & North Africa) continued to produce positive results in the year under review. In 2022, we strengthened our global presence through new activities, acquisitions, label launches and key partnerships in India, Greater China, Malaysia, Thailand, Vietnam, the Philippines and across Africa.

India

Universal Music India (UMI) acquired a majority stake in TM Ventures, one of India's leading music and entertainment companies, in 2022. UMI and TM Ventures are working in partnership across the company's talent management, entertainment consultancy and live/events businesses. Through this majority stake acquisition, UMG is reinforcing our leading role in India's music scene. The music sector in India is growing rapidly due to more than half of its population being under 30 years of age. Other drivers of this growth include the rising penetration of smartphones, access to reliable high-speed, low-cost internet service and the proliferation of sophisticated and well-capitalized streaming partners.

In February 2022, Universal Music India & Universal Music South Asia launched Def Jam India, a new frontline label to support the best hip hop talent and culture emerging from the region.

In April 2022, UMI released the first global single from Indian superstar Badshah, a collaboration with Colombian reggaeton superstar J.Balvin that helped him reach audiences in 173 countries.

UMI released new music made in popular regional dialects across South Asia through its wide range of domestic labels which now includes Def Jam India, VYRL Originals and the VYRL Punjabi, Haryanvi and Bhojpuri labels.

China

Universal Music Greater China (UMGC) launched Capitol Records China in March 2022. This further grows our position in China following the launch of Republic Records and the relaunch of EMI and Polygram China in 2021. Capitol Records China is a new frontline label that focuses on signing and developing Chinese music talent. Following its launch, Capitol Records China and Astralwerks announced a global licensing and distribution partnership with Live Nation's Electronic Asia's (LNEA) Fabled Records label.

Africa

UMG announced the creation of Blue Note Africa in March 2022. It's a new imprint dedicated to signing jazz artists from across the African continent.

In June 2022, UMG launched Virgin Music Label & Artist Services in Africa. This division focuses on supporting the next wave of independent artists, labels, influencers, and entrepreneurs from the region. It launched with more than 15,000 titles in its catalog and more than fifty label partners from 25 countries.

Southeast Asia

Universal Music Vietnam entered into a partnership with multi-channel network and media company METUB in 2022. The collaboration focused on the launch of the new monoX label. MonoX finds and develops Vietnamese talent and aims to break artists globally.

Universal Music Thailand entered an expanded partnership with Thailand's music label Hype Train Group in 2022. The label is a springboard for Thai artists wishing to export their creativity to music lovers around the world.

Growing local and regional partnerships

We are significantly increasing our digital footprint and promoting competition by effectively partnering with local digital platforms while expanding global streaming partnerships into new markets. In recent years, we have expanded our partnership network across India, Asia, Africa, Latin America and other strategically important, fast-growth markets.

In 2022, UMG partnered with African music services Mdundo and Audiomack to license the services across key African territories. These follow an expansive deal with Boomplay, the continents biggest streaming platform in 2021, making UMG's music content available in 47 countries.

In China, UMG licensed Qishui, a streaming service from Bytedance for mainland China. We also renewed and expanded our license with Bilibili, a leading Chinese video sharing service to include User Generated Content monetization in 2022.

Elsewhere in Asia, during the year under review we expanded our relationship with Trebel to include Indonesia and Malaysia, Zing in Vietnam and Rakuten in Japan. In Korea, Spotify launched a new tier for their market previously only available to local partners. 2022 also saw Spotify introduce Premium Mini in Indonesia as a new offering.

By licensing new platforms and expanding existing partnerships, we play an active part in developing new music markets. These collaborations enable us to create opportunities for promoting our local domestic and global roster of talent around the world.

Our total footprint of several hundred local, regional and global digital music service providers enables us to bring the music of UMG artists to consumers in every corner of the globe.

TECHNOLOGICAL ADVANCEMENTS AND NEW TRENDS

HARNESSING THE POWER OF TECHNOLOGICAL TRANSFORMATION

The world is undergoing a profound technological transformation and the music industry is playing a pivotal role in harnessing and promoting this development. At UMG, our ability to adapt and incorporate technological advancements and associated consumer trends into our offerings and operations is paramount to our success. New technologies play an important role both behind the scenes in music creation, product development, infrastructure and artist services. Leveraging technological advancements also bolsters our engagement with user-facing partner platforms and product offerings.

The music industry has grown significantly in recent years. This growth has been driven primarily by a dramatic increase in the number of paid subscribers of digital streaming services. While physical sales remain significant in some markets - including collectable formats like vinyl, which is enjoying a recent resurgence - we've seen a clear shift in music consumption from an ownership model, with consumers buying CDs or downloads, to an access model that features subscription and ad-supported streaming formats. We believe streaming will continue to revolutionize the music experience for consumers and propel ongoing transformation of our industry in the coming years.

Leveraging technology for new monetization formats

We have established numerous strong partnerships in subscription-based and ad-supported streaming with the aim of enabling our artists to monetize their work and create deeper engagement with their fans in these categories. The rise of subscription and ad-supported models enables UMG to monetize legal music consumption in markets that have few commercial outlets or that were previously dominated by piracy. This far-reaching monetization helps us fulfill our Artists First approach by helping artists achieve fair compensation for their work, while enjoying unsurpassed global distribution.

Growing opportunities through expanded connectivity

Even with the robust growth in recent years, we believe streaming is still in the early stages of global penetration. There remains a substantial opportunity for further expansion in tandem with the growth in the scale and number of streaming services, including in established streaming markets that have room for significant growth of both subscription and ad-supported streaming. This trend is furthermore driven by continuing expansion and upgrading of internet infrastructure, ongoing technological innovations across devices and formats such as voice-controlled speakers and connected cars, intersections with social media and gaming, and audiovisual product evolutions. All these developments serve to deepen fans' engagement with and consumption of music.

The ever-expanding scope of consumer choices in entertainment means there is increasing competition for attention. However, music benefits from the shift to "always online" consumption of media because it can extend into many components of consumer lifestyles, while becoming more personalized. For example, music can be customized for individual listener preferences during fitness activities, gaming, studying, working from home, family gatherings and sleep. Enabling this further is a combination of data processing and back- and front-end technologies, such as systems that analyze and identify musical features of songs or that learn listener preferences and adapt the music or make intelligent recommendations.

Connectivity has also enabled growth in online concerts. Improved technologies allow for low latency, high-resolution streams of live or scheduled pre-recorded artist performances to reach large numbers of simultaneous viewers.

Tapping into technological innovations to drive market growth

We harness technological advancements to stimulate market growth in two ways. First, we are leveraging format innovation to create new opportunities for our artists. Secondly, we're aiming to expand the current addressable market by capitalizing on the proliferation of connected devices.

We believe new technological advancements in the areas of social media, digital health/fitness and gaming offer exciting new market opportunities.

Other potential areas for future growth include music products and experiences developed for metaverse and Web3 platforms. These range from streaming within metaverse services, to digital merchandise and collectibles. We harness technological advancements to stimulate market growth in two ways. First, we leverage format innovation to create new opportunities for our artists. Secondly, we expand the current addressable market by capitalizing on the proliferation of connected devices.

Echoing the way smartphones dramatically expanded access to music and fueled an increase in music streaming, we expect the ongoing evolution of Smart Audio Devices, including 'wearables' (smart watches), 'hearables' (earbuds), Smart TVs, and Connected Cars, to increase music engagement and consumption.

More consumers are using more devices to listen to music. We believe that the use of multiple devices is expanding listening hours by bringing music into more facets of consumers' lives. The different consumption modes these devices enable are also broadening the range of music to which consumers are exposed and diversifying and deepening consumers' relationship with music.

Smart speakers enable consumers to easily access music through voice activation and are fueling further growth in streaming, facilitating conversion of more casual listeners into paid subscribers.

Partnering with digital service providers to develop a thriving global market

UMG holds a strong position in the digital music ecosystem thanks to our track record of pioneering new deals, major partnerships and key technology agreements. We work closely with digital service providers worldwide and are the largest supplier of content to most of the digital music service providers. As such, our artist content serves as a key driver of customer acquisition and retention for all these platforms.

We play an active role in promoting the continued development of new digital services and consumer offerings to support a competitive, healthy and increasingly global market. We've entered into agreements with several hundred global, regional and local digital service providers worldwide. In this way we actively support these services to present innovative new ways to engage consumers and connect our artists with their fans and new audiences.

Our portfolio of partnerships includes agreements in three high-growth BRIC countries (Brazil, India and China, having closed UMG's operations in Russia in 2022), Latin America, Africa, the Middle East, Eastern Europe and Southeast Asia. These partnerships tap into technological advancements to make music more accessible to fans around the world.

INNOVATION AND R&D AS KEY TO CREATING VALUE

Innovation is intrinsic to everything we do at UMG. Our unmatched commitment to lead in the collaborative development of new services, platforms and business models for the delivery of music and related content empowers innovators and taps into new commercial and artistic opportunities. We harness technological innovation to drive market growth. Our aim is always to create new opportunities for our artists. Through our expansive social media alliances and groundbreaking partnerships across the industry, we enable our artists to monetize their work and build deeper engagement with their fans. We place innovation at the heart of our approach to bring more music to more people across the globe.

Seizing opportunities in immersive audio

UMG began working closely with Dolby Laboratories Inc. in 2016 to expand their existing film and television technology to create an immersive listening experience known today as Dolby Atmos Music. Dolby Atmos Music is a state-of-the-art technology that places and moves sound around the audience, including overhead, to truly immerse listeners in music. Our collaboration with Dolby extends across an ecosystem of music creation, content preparation for delivery to our distribution partners and the full array of music products offering consumers a full immersive sound scape from headphones to home speakers and automobiles.

Together, we developed mix rooms in our recording studios specifically designed for creating immersive music, a suite of robust mixing tools and innovative techniques. We also provided industry-wide training, building on our well-established tradition of excellence in music production and audio innovation at the world-renowned Capitol Studios and Abbey Road Studios. Most importantly, we engaged with our artists and their creative production teams to provide leadership in creating richer and more fully immersive music experiences.

As a result of these efforts, more and more of UMG's new releases and catalogs are available in Dolby Atmos Music and spatial audio on platforms including Amazon Music and Apple Music.

Most frontline new releases today are delivered in Atmos "day and date" alongside stereo versions. This includes Taylor Swift's album *Midnights*, which is an example of a high-profile album released in both formats simultaneously at launch. By the end of 2022, UMG had delivered Dolby Atmos Music versions for 80% of our top 50 streaming artists and nearly half of UMG's streaming consumption has Atmos mixes available.

We provide artists with the best tools and creative capabilities that enable them to tell their musical stories in the highest-quality and most immersive way possible. This lets their fans experience music in the way the artist intended when recording in the studio or performing live. These higher-quality formats give our artists the opportunity to bring their music to the world in exciting new ways. We now actively participate in the Dolby Atmos Music format with more than 1,100 artists delivering new music releases and catalog titles in this new format.

In association with Dolby, we are collaborating through broad-based industry alliances covering all the components of the value chain. We're dedicated to providing music listeners with the highest quality of audio at home, in their cars and on their phones. In addition to Tidal, Apple and Amazon, we have existing collaborations with Klipsch, Sonos, Mercedes, Lucid, Tesla, Bose, Harman/Kardon and Samsung.

A compelling example of cross-sector collaboration is Mercedes Benz's partnership with Apple Music and UMG. Announced in October 2022, Mercedes Benz is leveraging this partnership to become the first to offer Spatial Audio with Dolby Atmos from Apple Music natively in the latest MBUX generation vehicles equipped with the Burmester® high-end 4D and 3D sound system. UMG is also enabling our recording artists to base their Dolby Atmos Music song approval process on how the final mix sounds in a Mercedes-Benz. In line with this, we introduced the seal "Approved in a Mercedes-Benz" as a gold standard of sound. UMG is also setting up a studio environment in Sindelfingen, Germany, based on its Capitol Studios' Studio C, which is a major global reference music studio for Dolby Atmos mixing.

Propelling the expansion of voice-activated music

UMG continues to help propel the expansion of voice-activated music. We've been at the forefront of developments in this field from the outset, serving as a launch partner for the Amazon Echo music service in 2016. Building on these advancements, we expect the existing addressable streaming market to be expanded through the penetration of Smart Audio Devices – "wearables" (smart watches) and "hearables" (earbuds) – Smart TVs and Connected Cars. These developments increase engagement and consumption and support new listening behaviors, which in turn creates a powerful driver for customer acquisition and retention.

Leveraging new formats to create new opportunities

The consumption of short-form music and music-based video content has grown rapidly in recent years, driven by the growth of global social video applications. These platforms enable incremental consumption of music appealing to diverse, and often younger, audiences. They give artists new creative ways to reconfigure the path to fan engagement. Short-form and music-based video content has also become increasingly popular on social media platforms such as Facebook, Instagram, Snapchat, TikTok and YouTube. This further illustrates the growing number of potential platforms artists can leverage to gain exposure and deepen connections with their fans.

UMG is an industry leader in creating social media alliances and developing innovative partnerships. We've played a pioneering role in forging relationships in this space. We unlocked the monetization opportunity for licensed music in the social sphere through a landmark partnership with Facebook in 2017. This made us the first major music company to license our catalog for videos and social features across Facebook and Instagram.

Turning data into results

We place high priority on operationalizing data and analytics at an industry-leading scale to promote the interests of our artists. We have made ongoing strategic investments in data and analytics over the past several years, including building a world-class analytics infrastructure based on cloud technology.

Our data and analytics team comprises analysts, data scientists, and front-end/back-end coders who develop algorithms to help UMG identify talent faster and more efficiently than our competition. We have developed innovative methods to identify tracks that are popular among distinct audience clusters, and we utilize patented Ingrooves technology to quickly detect viral moments (including those driven by social platforms such as TikTok). In addition, we tap into the far-reaching experience and expertise of our best-in-class A&R and marketing teams to make our data more powerful. This enables us to tailor our marketing initiatives to target the right audiences to maximize reach and conversion. Our data scientists have developed a proprietary marketing mix model and a framework for testing causal effects to help us both optimize our marketing mix and the creative content used to activate on these channels. This helps us boost marketing ROI, maximizing results while reducing unnecessary spend.

Putting data to work for artists

UMG conducts research and development to employ data that was previously unavailable. We harness data and analytics at an unparalleled scale to give our artists greater insight than ever before. By putting information to work for our artists, we help them track performance across platforms and territories and personalize marketing to target individual listeners. We leverage our own data in conjunction with inputs and metrics from key platforms to identify promising artists and help them break.

Our data and analytics team has developed UMX – a collection of data and business intelligence products. These data applications let us keep delivering the most relevant market insights to our creative partners in an ever-changing environment.

We continually update the UMX-Suite to ensure our artists and their managers have prompt access to time critical information. These updates provide valuable information on everything from when a track is added to a playlist and when and where consumption spikes to how much notable engagement a social post is generating.

We've launched multiple apps within the UMX Suite that empower A&R and help them make investment decisions quicker. This drives marketing effectiveness and extracts maximum value from our Intellectual Property.

Our Universal Music Artists (UMA) mobile app helps artists and managers understand their fans, by giving them a unique global, 360-degree view of their audiences. It's the first app to provide artists with a global, personalized view of their audience across all major streaming services and social media platforms. It lets artists and their management see the location of their fans by country and city, which helps them plan tours and other engagements, identify tracks that work best with specific audiences and tailor their social posts to maximize engagement.

We've also created a newsfeed feature within the UMA app. It maintains a history of milestones and is continually updated with the latest news. This provides our artists with a valuable source of information that enables them to respond quickly and effectively to new developments.

We completed the roll-out of the UMPG Window app developed by Universal Music Publishing Group (UMPG) in 2022. It is the leading royalty portal that provides UMPG songwriters and clients with instant access to clear, complete and real-time earnings and data.

The UMA app and the UMPG Window are two of many examples of how we deploy research and development to put artists first. With the data we collect across our extensive portfolio of partners, reinforced by data from our direct connections with fans, we have billions of touchpoints with music consumers. No other music business, single platform or recorded music company has access to the unique combination of multiplatform and direct-to-consumer data that we have at UMG. This wealth of data gives our artists unparalleled global, market-wide context and insight.

Bringing recording artists into the metaverse

UMG was one of the first companies to take steps into the new metaverse world. We have now built up a strong track record of pioneering collaborations that establish an onramp for artists into the opportunities of the metaverse.

In 2022, we marked another metaverse milestone through our collaboration with Elton John and Rocket Entertainment to launch 'Elton John Presents: Beyond the Yellow Brick Road' on Roblox. It's a global online platform connecting millions of people through shared experiences. Developed with Roblox creators, the virtual experience offers fans a new way to enjoy his timeless music, express themselves through his iconic fashion co-created with the community, and experience Elton's impact on popular culture. The experience includes Elton's iconic digital fashion and photographs of memorable moments, interactive challenges set to his greatest hit songs, daily scavenger hunts and trivia quizzes. The Roblox community was also invited to a special performance that took place within the 'Beyond the Yellow Brick Road' experience on Roblox around Elton's final ever U.S. shows at LA's Dodger stadium in November 2022.

Pioneering in Web3 with digital goods and NFTs

UMG is a leader in developing and releasing innovative digital goods and non-fungible tokens, or NFTs, that create new opportunities for our artists and labels, while building strong fan communities. This includes deals with some of the leading companies in the space, including Curio, Snowcrash, Billboard Chartstars, Sandbox and Limewire, among others.

KINGSHIP, the NFT supergroup created by UMG's 10:22PM Web3-focused record label, sold out a collection of 5,000 NFT Key Cards that provide access to the group's virtual world. Since their release, the Key Cards spent six consecutive months in the top 5 on Billboard's Music NFT chart in 2022. A follow-up drop of 5,200 NFTs were distributed to existing Key Card holders to introduce a new character. In September 2022, Hit-Boy and James Fauntleroy, two chart-topping and award-winning music producers and songwriters, signed on as KINGSHIP's co-executive producers and sonic creative team, overseeing the evolution of the group's music direction and sound.

2022 also saw M&Ms' parent company Mars Inc. and 10:22PM launch a first-of-its kind collaboration to release collectible KINGSHIP boxes of M&Ms that include the candies becoming an integral part of the group's metaverse narrative. The 10,000 collectible KINGSHIP boxes of M&Ms sold-out within 78 hours and Mars Inc. featured the group for a week on the company's electronic billboard in Times Square in New York City.

Embracing entrepreneurs to accelerate the next wave of transformation

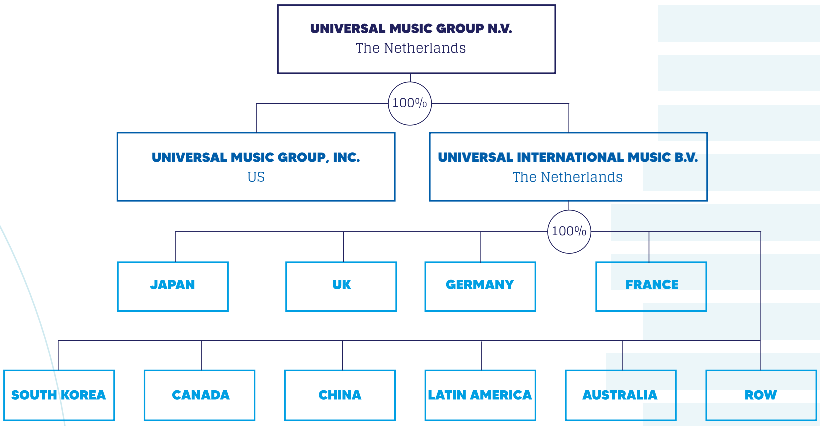
With a view to our industry's future, UMG continues to advance our role as industry leader in promoting entrepreneurship. We do this through a wide range of digital innovation programs, including Abbey Road Red. In addition, we drive innovation through a wide Accelerator Engagement Network. It's a growing program spanning 12 accelerator partners based in entrepreneurial centers around the world, including APX By Axel Springer and Porsche (Germany), Baita Accelerator (Brazil), Berkeley SkyDeck (U.S.), Chinaccelerator (China), LeanSquare (Belgium), LINCC (France), MassChallenge Israel (Israel), MassChallenge Mexico (Mexico), Melbourne Accelerator Program (Australia), SparkLabs Global Ventures (Korea), Startup Wise Guys (Estonia) and The Music Den (Canada). Since its establishment in 2017, the Accelerator Engagement Network has nurtured and mentored more than 154 music-tech startups that have raised over $189 million in funding.

BOARD REPORT

ORGANIZATIONAL AND REPORTING STRUCTURE

ORGANIZATIONAL AND REPORTING STRUCTURE

The following structure chart illustrates the simplified structure of the Group as at December 31st, 2022



Corporate Executives

The Group is managed by corporate executives (the Corporate Executives). The current Corporate Executives consists of nine key members, each of whom oversees a specific aspect of the business. The persons set forth below are the current members of the Corporate Executives.

Name	Age	Position
Sir Lucian Grainge	63	Chairman & Chief Executive Officer
Philippe Flageul	58	Executive Vice President, Controller
Jody Gerson	62	Chairman & CEO for Universal Music Publishing Group
Jeffrey Harleston	62	General Counsel and Executive Vice President of Business & Legal Affairs
Eric Hutcherson	53	Executive Vice President, Chief People and Inclusion Officer
Boyd Muir	63	Executive Vice President, Chief Financial Officer and President of Operations
Michael Nash	66	Executive Vice President, Chief Digital Officer
Will Tanous	52	Executive Vice President, Chief Administrative Officer
Vincent Vallejo	62	Deputy Chief Executive Officer, Corporate

Set out below are brief summaries of the biographies of the members of the Corporate Executives:

Sir Lucian Grainge (Chairman and Chief Executive Officer)

Sir Lucian Grainge has spent his entire career in the music industry and has signed and worked with many worldwide stars, including ABBA, Jay Z, Elton John, Katy Perry, Queen, Rihanna, The Rolling Stones, Sam Smith, U2 and Amy Winehouse, among many others. Over the span of four decades, he has not only pioneered new approaches to the signing and development of the world's most successful recording artists and songwriters but he has consistently championed the development of innovative business models and partnerships with a wide range of technology and media partners around the world. He has transformed UMG into the most successful company in the history of the music industry, both competitively and financially, and his vision and leadership is widely recognized as having returned the entire industry to growth after many years of decline. In 2011, he led UMG's successful acquisition of the recorded music assets of the legendary British music company EMI, revitalizing its iconic Capitol Records, and, in the process, further strengthening UMG's position as the global leader in music. A native of London, Sir Lucian was bestowed with a knighthood in 2016 by Her Majesty Queen Elizabeth II in the Queen's 90th Birthday Honours list for accomplishments in the music industry and leadership through its challenging times, contributions to British business and inward investment, as well as his development of innovative business models, technology and media partnerships that have expanded UMG's global presence. He serves on the board of Northeastern University in Boston, Massachusetts.

Vincent Vallejo (Deputy Chief Executive Officer, Corporate)

Based at the Company's corporate headquarters in Hilversum, Netherlands and reporting to UMG's Chairman and Chief Executive Officer Sir Lucian Grainge, Vincent Vallejo led a number of corporate initiatives related to the Company's listing on the Euronext NV in Amsterdam. Vallejo joined UMG in 2021 and has worked closely across UMG matters since he joined Vivendi in 1998, where he served most recently as SVP, Audit & Special Projects. Prior to joining Vivendi, Vallejo held positions at AGF-ALLIANZ France (Deputy CFO) and Ernst & Young Paris and Madrid. He received an MBA from Montpellier University and a Master of Science from Cornell-Essec, CergyPontoise, France.

Philippe Flageul (Executive Vice President, Controller)

Philippe Flageul is responsible for overseeing many aspects of UMG's finance operations, including accounting, tax, treasury, risk management and IT and supply chain finance. He also oversees UMG's global procurement. Flageul joined UMG in 2015 from Bolloré Group, where he worked for more than two decades as CFO of the industrial division and Chairman of IER. Philippe holds an MBA from EDHEC.

Jody Gerson (Chairman & CEO for Universal Music Publishing Group)

Jody Gerson is one of music's most respected, accomplished executives and creative authorities. She is the first female chairman of a global music company and the first woman to be named CEO of a major music publisher. Since joining UMPG in 2015, Gerson has transformed the company into the industry's best global home to songwriters and a billion-dollar business – more than doubling revenue and substantially increasing profit. Gerson led UMPG's historic catalog acquisitions of Bob Dylan, Sting, Neil Diamond and Frank Zappa. She has signed and works with the world's biggest superstars including Elton John, Taylor Swift, Harry Styles, Kendrick Lamar, Bad Bunny, Adele, The Weeknd, Billie Eilish, SZA, Rosalia, Drake, Steve Lacy, Alicia Keys, Coldplay, Justin Bieber, Post Malone, Ariana Grande, H.E.R., Maren Morris, the Bee Gees, Prince, and more. Gerson cofounded nonprofit She Is The Music and serves on Boards for the USC Annenberg Inclusion Initiative, The Rock & Roll Hall of Fame, the National Music Publishers Association, The Archer School for Girls and New Roads School. Gerson executive produced numerous acclaimed film/TV projects, including HBO's 'The Bee Gees: How Can You Mend a Broken Heart' and HBO's 'Music Box' series, and produced feature films 'Drumline' and 'ATL.'

Jeffrey Harleston (General Counsel and Executive Vice President, Business & Legal Affairs)

Jeffrey Harleston is responsible for the global oversight of all business transactions, contracts and litigation. He is additionally responsible for the development of corporate policies, including the coordination of UMG's government relations, trade and anti-piracy activities, to ensure a unified strategy across the Company's divisions. Harleston joined the Company in 1993 at MCA Records, after serving as Associate Independent Counsel for the Iran-Contra Investigation and prior to that as an Associate at Covington & Burling LLP. Harleston serves as co-chair of UMG's Task Force for Meaningful Change, where he leads a group of influential executives from across the Company to focus on issues regarding inclusion and social justice. Harleston also serves on the boards of the Recording Industry Association of America (RIAA), MusiCares, Williams College and the Harvard-Westlake School. He received a B.A. in Political Science from Williams College and a J.D. from the University of California, Berkeley School of Law.

Eric Hutcherson (Executive Vice President, Chief People and Inclusion Officer)

With a focus on people, culture and inclusion, Eric Hutcherson leads a global team across UMG's record labels, publishing division and operating companies to align talent functions, amplify the Company's entrepreneurial-based culture, accelerate diversity and inclusion across all levels and territories, attract, retain and develop talent, accelerate the Company's social justice initiatives and build on UMG's successful track-record of driving innovation by recruiting employees who bring new ideas, perspectives and skillsets. Prior to joining UMG, he was EVP, Chief Human Resources Officer of the National Basketball Association (NBA) where he managed a team that drove the NBA's global workforce strategy. Hutcherson earned a bachelor's degree in Political Science from New York University and a master's degree in Sports Management and Administration from the University of Massachusetts-Amherst.

Boyd Muir (Executive Vice President, Chief Financial Officer and President of Operations)

Working seamlessly across the corporate and creative aspects of UMG's operations, Boyd Muir is responsible for overseeing many of UMG's corporate operations including global finance. Muir led the strategic physical-to-digital reshaping of the Company's businesses, and he has played a key role in several of UMG's most prominent acquisitions, including Sanctuary Group and V2 Music Group, as well as the Company's successful acquisition of EMI, Ingrooves Music Group and Epic Rights, among others. Muir joined UMG in 1994 and previously served as Chief Financial Officer for Universal Music Group International, a division that managed UMG's businesses in more than 50 countries.

Michael Nash (Executive Vice President, Chief Digital Officer)

Michael Nash supervises UMG's digital business development activities around the world, manages strategic relationships with the Company's largest partners, and oversees global digital licensing, as well as numerous innovation initiatives. Nash has worked at the forefront of media and technology convergence for his entire career as an executive, entrepreneur and producer. Before joining UMG in 2015, he served as a strategic advisor to Warner Music Group, as well as several digital media startups; prior to that, he served as WMG's Executive Vice President of Digital Strategy and Business Development, responsible for WMG's global digital business. Prior to WMG, Nash was the Executive Director of the Madison Project, the music industry's first digital distribution trial, and he was the founding CEO of Inscape, an interactive entertainment and games publishing joint venture backed by Time Warner.

Will Tanous (Executive Vice President, Chief Administrative Officer)

Will Tanous plays a key role in the development of the Company's business strategy, overseeing several major strategic and corporate endeavors, as well as managing worldwide external and internal communications, global public policy, investor and government relations, event functions and social responsibility. Prior to joining UMG in 2013, Tanous served as Executive Vice President of Communications & Marketing for Warner Music Group where he was central in all of the company's major corporate initiatives, including: the sale of WMG to Access Industries, Inc.; WMG's initial public offering on the New York Stock Exchange in 2005; and the sale of WMG by Time Warner Inc. to a private equity consortium. He serves on the board of the Recording Industry Association of America and is a graduate of Georgetown University in Washington D.C.

BOARD REPORT

FINANCIAL REVIEW

1. EARNINGS ANALYSIS: GROUP AND BUSINESS SEGMENTS

1.1 Consolidated Statement of Profit or Loss

(in millions of euros)	Year ended December 31, 2022	Year ended December 31, 2021 Restated[1]
Revenues	**10,340**	**8,504**
Cost of revenues	(5,753)	(4,608)
Selling, general and administrative expenses	(2,702)	(2,327)
Amortisation and impairment losses on intangible assets	(285)	(175)
Operating profit	**1,600**	**1,394**
Financial income	37	143
Financial expenses	(735)	(377)
	(698)	**(234)**
Income/(loss) from equity affiliates	(2)	5
Profit before income taxes	**900**	**1,165**
Income taxes	(115)	(277)
Net profit	**785**	**888**
Of which:		
Net profit attributable to equity holders of the parent	782	886
Net profit attributable to non-controlling interests	3	2
Earnings per share (in euros)		
Basic, earnings for the period attributable to equity holders of the parent	0.43	0.49
Diluted earnings for the period attributable to equity holders of the parent	0.43	0.49
Adjusted net profit	*1,454*	*1,271*
Adjusted net profit per share (in euros) - basis[2]	0.80	0.70
Adjusted net profit per share (in euros) - diluted[2]	0.80	0.70

1 Restated amounts are presented in Note 2.3 of the Annual Consolidated Financial Statements

2 Non-IFRS measures as defined in the Appendix to the Annual Report

Reconciliation of Operating Profit to EBITDA and Adjusted EBITDA

	Year ended December 31,	
(in millions of euros)	2022	2021
Operating Profit[1]	**1,600**	**1,394**
Adjustments		
Amortization and depreciation expense	377	277
Restructuring expenses	32	20
(Gain)/loss on sale of assets	2	(2)
Impairment on intangible assets	17	–
Other non-recurring items	–	(3)
EBITDA[2]	**2,028**	**1,686**
Non-cash share-based compensation expense	107	79
One time direct-listing related expenses	–	23
Adjusted EBITDA[2]	**2,135**	**1,788**

1 2021 Restated amounts are presented in Note 2.3 of the Annual Consolidated Financial Statements

2 As defined in the Appendix to the annual report

1.2 Analysis of the Condensed Statement of Earnings

1.2.1 Revenues

In 2022, UMG's revenues of €10,340 million were up 21.6% compared to 2021 and up 13.6% at constant currency. This increase was driven by improvements across all divisions. Recorded Music grew 8.8% at constant currency compared to 2021, Music Publishing was up 26.3% and Merchandising and Other grew by 54.1%.

For a detailed analysis of revenues by business segment, please refer to Section 1.3 below and to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2022.

1.2.2 Operating results

Analysis of cost of revenues

	Year ended December 31,	
(in millions of euros)	2022	2021
Artist costs	4,704	3,800
Product costs	1,049	808
Cost of Revenues	**5,753**	**4,608**

Cost of Revenues grew by €1,145 million to €5,753 million in 2022 from €4,608 million in 2021 reflecting the increase in revenues and the unfavourable impact of foreign currency exchange rate movements driven by the strengthening of the U.S. Dollar. Cost of revenues as a percentage of revenues increased to 55.6% from 54.2% driven by higher relative artist and product costs.

Artist costs increased by €904 million from €3,800 million in 2021 to €4,704 million in 2022 driven by the increase in sales and the unfavourable impact of foreign currency exchange rate movements. As a percentage of revenues, artists costs increased from 44.7% in 2021 to 45.5% in 2022 as a result of a higher proportion of Music Publishing revenues that have higher relative artist costs.

Product costs increased by €241 million to €1,049 million in 2022 from €808 million in 2021 reflecting the growth in revenues and the unfavourable impact of foreign currency exchange rate movements. Product costs as a percentage of revenues increased to 10.1% from 9.5% driven by the change in mix of revenues and especially the greater proportion of merchandising sales.

Selling, general and administrative expenses increased by €375 million to €2,702 million in 2022 from €2,327 million in 2021 but reduced as a percentage of revenues to 26.1% in 2022 from 27.4% in 2021 due to operating leverage. Selling, general and administrative expenses in 2022 included €107 million in non-cash share-based compensation expenses. In 2021, selling, general and administrative expenses included €102 million in one-time direct-listing related expenses and non-cash share-based compensation expenses.

Operating profit was €1,600 million in 2022, compared to €1,394 million for 2021, an increase of €206 million +14.8% or +7.9% at constant currency, driven by the growth in revenues. As a percentage of revenues, operating profit declined to 15.5% in 2022 from 16.4% in 2021 due to higher relative cost of revenues and amortization partially offset by lower relative selling, general and administrative expenses.

EBITDA increased by €342 million to €2,028 million in 2022 compared to €1,686 million in 2021 driven by the increase in revenues. EBITDA margin decreased by 0.2pp to 19.6% in 2022 compared to 19.8% in 2021.

Adjusted EBITDA was €2,135 million in 2022 up €347 million compared to €1,788 million in 2021. Adjusted EBITDA margin decreased by 0.4pp to 20.6% in 2022 from 21.0% in 2021.

For a detailed analysis of EBITDA and Adjusted EBITDA by business segment, please refer to Section 1.3 below.

1.2.3 Financial results

Financial income and Financial expenses were a net expense of €698 million in 2022, compared to a net expense of €234 million for 2021, an increase of €464 million. For 2022, the revaluation of the investments in listed companies including Spotify and Tencent Music Entertainment was a net expense amount of €617 million, compared to a net expense of €315 million for 2021, an increase of €302 million. In 2021, UMG benefited from a €98 million gain on disposal of Alamo Records.

1.2.4 Income taxes

For 2022, income taxes were a net expense of €115 million, compared to a net expense of €277 million for 2021. This decrease notably reflected the decrease in the deferred tax charge relating to the revaluation of the investments in listed companies including Spotify and Tencent Music Entertainment (+€166 million, compared to +€71 million for 2021) and the favourable settlement of tax litigations (+€90 million income compared to -€11 million expense in 2021).

1.2.5 Non-controlling interests
For 2022, earnings attributable to non-controlling interests were €3 million, slightly higher than the €2 million for 2021.

1.2.6 Net profit attributable to equity holders of the parent
For 2022, net profit attributable to equity holders of the parent amounted to a profit of €782 million (or €0.43 per share - basic), compared to €886 million for 2021 (or €0.49 per share - basic), a decrease of €104 million. Net profit attributable to equity holders of the parent decreased by €104 million, reflecting:

- The variance in financial results (-€464 million) of which the revaluation of the investments in Spotify and Tencent Music Entertainment (-€302 million), while the prior year included the gain on disposal of Alamo Records (-€98 million).

partially offset by:

- The growth in operating profit (+€206 million)
- The decrease in income taxes reported to net income (+€162 million), mainly due to the decrease in the deferred tax charge relating to the revaluation of the investments in Spotify and Tencent Music Entertainment and the favourable settlement of tax litigations.

1.2.7 Adjusted net profit
Adjusted net profit in 2022 amounted to a profit of €1,454 million (or €0.80 per share - basic), compared to €1,271 million for 2021 (or €0.70 per share - basic), an increase of €183 million. Adjusted net profit increased by €183 million, including:

- The growth in Adjusted EBITDA (+€347 million)
- The increase in income taxes reported to adjusted net profit (-€102 million)

1.3 Analysis of revenues and operating results by business segment

(in millions of euros)	Year ended December 31, 2022	2021	% Change	% Change at constant currency
Revenues				
Recorded Music	7,937	6,822	16.3%	8.8%
Music Publishing	1,799	1,335	34.8%	26.3%
Merchandising & Other	618	363	70.2%	54.1%
Corporate Centre	-	-	0.0%	0.0%
Elimination of inter-segment transactions	(14)	(16)		
Total UMG	**10,340**	**8,504**	**21.6%**	**13.6%**
EBITDA[1]				
Recorded Music	1,827	1,614	13.2%	5.5%
Music Publishing	395	307	28.7%	20.4%
Merchandising & Other	36	16	125.0%	111.8%
Corporate Centre	(230)	(251)	8.4%	16.4%
Total UMG	**2,028**	**1,686**	**20.3%**	**12.5%**

1 As defined in the Appendix to the Annual Report

1.3.1 Recorded Music

(in millions of euros)	2022	2021	% Change	% Change at constant currency
	Year ended December 31,			
Subscriptions and streaming revenue	5,321	4,481	18.7%	9.8%
of which streaming	*1,420*	*1,186*	*19.7%*	*9.3%*
of which subscription	*3,901*	*3,295*	*18.4%*	*10.0%*
Downloads and other digital revenue	337	324	4.0%	(2.9%)
Physical revenue	1,207	1,121	7.7%	4.1%
License and other revenue	1,072	896	19.6%	13.4%
Recorded Music Revenues	**7,937**	**6,822**	**16.3%**	**8.8%**
EBITDA[1]	**1,827**	**1,614**	***13.2%***	***5.5%***
EBITDA margin[1]	*23.0%*	*23.7%*	*(0.7pp)*	
Adjusted EBITDA[1]	**1,900**	**1,614**	***17.7%***	***9.7%***
Adjusted EBITDA margin[1]	*23.9%*	*23.7%*	*0.2pp*	
Recorded music revenues by geographic area				
North America	4,077	3,392	20.2%	6.6%
Europe	2,191	2,020	8.5%	7.5%
Asia	1,007	896	12.4%	14.0%
Latin America	302	216	39.8%	28.0%
Rest of the world	360	298	20.8%	15.0%
Recorded Music Revenues	**7,937**	**6,822**	**16.3%**	**8.8%**

1 As defined in the Appendix to the Annual Report

In 2022, Recorded Music revenues were €7,937 million, up 16.3% compared to 2021, and up 8.8% in constant currency. Subscription and streaming revenue grew 18.7%, or 9.8% in constant currency, with growth in both subscription and ad-supported streaming revenues. Physical revenue grew 7.7%, or 4.1% in constant currency, driven by strong new releases and growth in direct-to-consumer sales. Downloads and other digital revenue grew by 4.0%, but declined by 2.9% in constant currency, and included the benefit from the settlement of a copyright infringement lawsuit with an internet service provider but was impacted by the the continued decline in download sales. License and other revenue improved 19.6% or 13.4% in constant currency, as a result of the ongoing recovery of live activities and improvements in synchronization income. Top sellers for the year included Taylor Swift, BTS, the Encanto soundtrack, Olivia Rodrigo, Morgan Wallen and The Beatles. Top sellers in the prior-year included Olivia Rodrigo, Justin Bieber, BTS, The Weeknd, Morgan Wallen and ABBA.

Recorded Music EBITDA in 2022 of €1,827 million was up €213 million from €1,614 million in 2021 driven by the growth in revenues but was impacted in 2022 by €73 million of share-based compensation expense (€0 million in 2021).

Adjusted EBITDA for Recorded Music increased by €286 million to €1,900 million in 2022 from €1,614 million in 2021 as a result of the revenue growth. Adjusted EBITDA margin increased by 0.2pp to 23.9% of revenues from 23.7% of revenues in 2021 due to operating leverage.

1.3.2 Music Publishing

	Year ended December 31,			
(in millions of euros)	2022	2021	% Change	% Change at constant currency
Performance revenue	371	297	24.9%	18.2%
Synchronisation revenue	236	199	18.6%	10.3%
Digital revenue	1,040	698	49.0%	38.7%
Mechanical revenue	97	95	2.1%	(1.0%)
Other revenue	55	46	19.6%	14.6%
Music Publishing Revenues	**1,799**	**1,335**	**34.8%**	**26.3%**
EBITDA[1]	**395**	**307**	***28.7%***	***20.4%***
EBITDA margin[1]	*22.0%*	*23.0%*	*(1.0pp)*	
Adjusted EBITDA[1]	**410**	**307**	***33.6%***	***25.0%***
Adjusted EBITDA margin[1]	*22.8%*	*23.0%*	*(0.2pp)*	

1 As defined in the Appendix to the Annual Report

Music Publishing revenue amounted to €1,799 million in 2022, up 34.8% year-over-year, or 26.3% in constant currency. Revenues benefited from the continued growth in subscription and streaming, an improvement in synchronization income and from the benefit of catalog acquisitions. Revenues also benefited from the receipt during the year of higher income than was accrued at the end of 2021 when UMG adjusted its accounting policy in relation to certain revenues that are collected through societies. In prior years, these revenues were recognized when the relevant collection society notified UMG of the usage by the end customer and collectability was assured. Recognition of that revenue is now based on an accrual for the best available estimate of when the usage occurs and the amount of consideration which is probable to be collected.

Music Publishing EBITDA in 2022 of €395 million was up €88 million from €307 million in 2021 driven by the growth in revenues. EBITDA was impacted by €15 million of share based compensation expense in 2022 (€0 million in 2021).

Music Publishing Adjusted EBITDA increased by €103 million to €410 million in 2022 compared to €307 million in 2021 as a result of the revenue growth. Adjusted EBITDA margin fell 0.2pp to 22.8% from 23.0% of revenues in 2021.

1.3.3 Merchandising & Other

	Year ended December 31,			
(in millions of euros)	2022	2021	% Change	% Change at constant currency
Merchandising and Other Revenues	618	363	70.2%	54.1%
EBITDA[1]	36	16	*125.0%*	*111.8%*
EBITDA margin[1]	*5.8%*	*4.4%*	*1.4pp*	
Adjusted EBITDA[1]	36	16	*125.0%*	*111.8%*
Adjusted EBITDA margin[1]	*5.8%*	*4.4%*	*1.4pp*	

1 As defined in the Appendix to the Annual Report

Merchandising and Other revenue grew to €618 million, up 70.2%, or 54.1% in constant currency, as touring-related merchandising revenue, benefited from the return of live touring post-COVID.

Merchandising and Other EBITDA and Adjusted EBITDA in 2022 of €36 million was up €20 million from €16 million in 2021 due to the improved revenues and lower artist costs. EBITDA and Adjusted EBITDA margins have increased by 1.4pp to 5.8% of revenues from 4.4% of revenues in 2021 due to operating leverage and lower artist costs and despite the shift in revenue mix towards lower-margin touring-related revenue.

1.3.4 Corporate

(in millions of euros)	Year ended December 31, 2022	2021	% Change	% Change at constant currency
EBITDA[1]	(230)	(251)	8.4%	16.4%
EBITDA margin[1]	–	–		
Adjusted EBITDA[1]	(211)	(149)	(41.6%)	(27.9%)
Adjusted EBITDA margin[1]	–	–		

1 As defined in the Appendix to the Annual Report

Corporate EBITDA was a net expense of €230 million, compared to a net expense of €251 million for 2021, a €21 million decrease in expense. EBITDA in 2022 included €19 million of non-cash share-based compensation related expenses and in 2021 included €102 million of one-time direct listing and non-cash share-based compensation related expenses.

Corporate Adjusted EBITDA was a net expense of €211 million in 2022, a €62 million increase in expense from the Adjusted EBITDA in 2021 of €149 million due to unfavourable currency movements, incremental corporate costs associated with operating as a stand-alone listed company and the impact of reopening post-COVID, including higher travel costs.

2. LIQUIDITY AND CAPITAL RESOURCES

2.1 Financial Net Debt

(in millions of euros)	Year ended December 31, 2022	2021
Cash and cash equivalents	**439**	**585**
Derivative financial assets	**1**	**-**
Term loan	-	(998)
Drawn revolving credit facilities	(125)	(1,447)
Bank overdrafts	(1)	(13)
Bonds	(1,004)	-
Commercial papers	(929)	-
Other	(191)	(137)
Borrowings at amortized cost	**(2,250)**	**(2,595)**
Financial Net Debt[1]	**(1,810)**	**(2,010)**

1 As defined in the Appendix to the Annual Report

2.1.1 Changes in the Financial Net Debt

As of December 31, 2022, UMG's Financial Net Debt amounted to -€1,810 million compared to Financial Net Debt of -€2,010 million as of December 31 ,2021, i.e., a decrease in net debt of €200 million. This change was mainly attributable to the following:

- Net cash provided by operating activities of €1,732 million

This was offset by the following:

- In June 2022 UMG paid the final dividend with respect to fiscal year 2021 of €363 million
- In October 2022 UMG paid an interim dividend with respect to fiscal year 2022 of €435 million
- Net cash used for investing activities of -€520 million primarily due to the €359 million investment in music publishing and recorded music catalogues, €93 million investment in other intangible and capital expenditure and €71 million net purchase of consolidated companies, equity affiliates and financial assets
- Repayment of €100 million in relation to lease liabilities
- The €78 million favourable currency movements

UMG believes that the cash flow generated by its operating activities, its cash surpluses, net of amounts used to reduce UMG's debt, as well as funds available through undrawn bank credit facilities and additional funding opportunities will be sufficient to cover expenses and investments necessary for its operations, its debt service, the payment of income taxes, the distribution of dividends, as well as its investment projects, if any, for the next 12 months.

2.1.2 Equity portfolio

As of December 31, 2022, UMG held a portfolio of listed non-controlling equity interests (including Spotify) with an aggregate market value of approximately €597 million (before taxes), compared to €1,413 million as of December 31, 2021. The reduction in market value during 2022 was due to the fluctuation in share price of our listed investments most notably of Spotify. As at February 28, the aggregate market value of these listed investments had increased to approximately €809 million (before taxes).

2.2 Cash flow analysis

(in millions of euros)	Year ended December 31, 2022	2021 Restated[1]
Operating activities		
Operating profit	1,600	1,394
Adjustments	461	280
Royalty advances payments, net of recoupments	(148)	(364)
Gross cash provided by/(used for) operating activities before income tax paid	*1,913*	*1,310*
Other changes in net working capital	74	85
Net cash provided by/(used for) operating activities before income tax paid	*1,987*	*1,395*
Income tax paid	(255)	(255)
Net cash provided by/(used for) operating activities	**1,732**	**1,140**
Investing activities		
Catalogue investments	(359)	(388)
Other intangible assets investments	(60)	(48)
Capital expenditures	(33)	(13)
Purchases of consolidated companies, after acquired cash	(22)	(11)
Investments in equity affiliates	(22)	(28)
Purchase of financial assets	(36)	(43)
Investments	*(532)*	*(531)*
Proceeds from sales of property, plant, equipment and intangible assets	-	6
Proceeds from sales of consolidated companies, after divested cash	-	117
Proceeds from sale of financial assets	9	14
Divestitures	*9*	*137*
Dividends received from equity affiliates	2	2
Dividends received from investments	1	1
Net cash provided by/(used for) investing activities	**(520)**	**(391)**
Financing activities		
Distributions to shareowners	(798)	(785)
Dividends paid by consolidated companies to their non-controlling interests	(2)	(2)
Transactions with shareowners	*(800)*	*(787)*
Proceeds from borrowings	5,938	3,176
Repayments of borrowings	(6,359)	(3,624)
Interest, net	(30)	(17)
Other cash items related to financing activities	4	(8)
Transactions on borrowings and other financial liabilities	*(447)*	*(473)*
Repayment of lease liabilities	(86)	(70)
Payment of interest of lease liabilities	(14)	(16)
Net cash provided by/(used for) financing activities	**(1,347)**	**(1,346)**
Net change in cash and cash equivalents	**(135)**	**(597)**
Foreign currency translation adjustments	1	32
Change in cash and cash equivalents	**(134)**	**(565)**
Cash and cash equivalents		
At beginning of the period	572	1,137
At end of the period	438	572

1 Restated amounts are presented in Note 2.3 of the Annual Consolidated Financial Statements

Reconciliation of cash provided by operating activities to Free Cash Flow

(in millions of euros)	Year ended December 31, 2022	2021
Net cash provided by/(used for) operating activities[1]	1,732	1,140
Net cash provided by/(used for) investing activities	(520)	(391)
Repayment of lease liabilities and related interest expenses	(100)	(86)
Interest, net	(30)	(17)
Other cash items related to financing activities	4	(8)
Free Cash Flow[2]	1,086	638

1 2021 Restatement amounts are presented in Note 2.3 of the Annual Consolidated Financial Statements

2 As defined in the Appendix to the Annual Report

2.2.1 Net cash provided by operating activities before income tax

For 2022, changes in net cash provided by operating activities before income tax amounted to an inflow of €1,987 million compared to an inflow of €1,395 million for 2021, an improvement of €592 million. This increase was mainly attributable to the following items:

- The increase in operating profit (+€206 million)
- The reduction in royalty advances payments net of recoupments (+€216 million) due to the timing of major artist renewals and higher recoupments
- The favourable variance in adjustments (+€181 million) on higher amortization and impairment in 2022 and favourable movement in provisions

partially offset by:

- The unfavourable variance in other working capital (-€11 million)

2.2.2 Net cash provided by operating activities

Net cash provided by operating activities in 2022 amounted to an inflow of €1,732 million compared to an inflow €1,140 million for 2021, an improvement of €592 million due to the €592 million increase in changes in net cash provided by operating activities before income tax, while income tax paid in 2022 was in line with 2021.

2.2.3 Net cash used for investing activities

Net cash used for investing activities in 2022 was a €520 million net outflow compared to a €391 million net outflow for 2021, an increased outflow of €129 million as 2021 benefited from higher proceeds from sales of investments (-€128 million) that in 2021 included the sale of Alamo Records for €102 million. Catalogue investments in 2022 were lower than in 2021 (+€29 million) due to the timing of deals but investment in other intangible assets and capital expenditure was higher (-€32 million).

2.2.4 Net cash used for financing activities

Net cash used for financing activities in 2022 was a €1,347 million net outflow compared to a €1,346 million net outflow for 2021, an increased outflow of €1 million. This was mainly attributable to the following items:

- A reduction in debt in 2022 of €421 million compared in 2021 of €448 million (+€27 million)
- Higher dividend payments in 2022 (-€13 million)
- Higher interest payments, repayment of lease liabilities and other cash items related to financing activities of €126 million in 2022 compared to €111 million in 2021 (-€15 million)

2.2.5 Free Cash Flow

Free Cash Flow in 2022 was a €1,086 million net inflow compared to a €638 million net inflow for 2021, an improvement of €448 million. This improvement was predominantly due to the improvement in net cash provided by operating activities (+€592 million) offset by higher net cash used for investing activities (-€129 million) and higher interest payments, repayment lease liabilities and other cash items related to financing activities (-€15 million) in 2022 compared to 2021.

BOARD REPORT

CORPORATE GOVERNANCE

THE GOVERNANCE STRUCTURE

Universal Music Group N.V. (**UMG** or the **Company**) is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands. The Shares (as defined below in the Shareholder information section under 'Share capital') were first admitted to listing and trading on Euronext Amsterdam (the **Listing**), the regulated market of Euronext Amsterdam N.V., on September 21, 2021. The Company has a one-tier board (the **Board**), which currently comprises of two executive directors (the **Executive Directors**) and eleven non-executive directors (the **Non-Executive Directors** and, together with the Executive Directors, the **Directors**). The Executive Directors are primarily responsible for all day-to-day operations of the Company. The Non-Executive Directors supervise the Executive Directors' policy and performance of duties and the Company's general course of affairs and business, and render advice and direction to the Executive Directors. The Directors furthermore perform any duties allocated to them under or pursuant to the law or the Company's articles of association (the **Articles**). Each Director has a duty to the Company to properly perform the duties allocated to him or her and to act in the Company's corporate interests. Under Dutch law, the Company's corporate interests extend to the interests of all of the Company's stakeholders, including the Company's shareholders (the **Shareholders**), creditors, customers and employees.

The Company acknowledges the importance of good corporate governance and complies with most of the principles and best practice provisions of the Dutch Corporate Governance Code of December 8, 2016 (the **Code**), the full text of which can be found on www.mccg.nl. Deviations from any of the principles and best practice provisions of the Code are explained below under 'Compliance with the Code' in accordance with the Code's 'comply or explain' principle. Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be dealt with at the annual General Meeting (as defined below under 'The Board') as a separate item. On December 20, 2022, a revised version of the Code was published, which will apply as of the financial year 2023.

The annual report also includes the information that the Company is required to disclose pursuant to the Dutch Decree on Article 10 of the Takeover Directive (*Besluit artikel 10 overnamerichtlijn*) and the Dutch Decree on the Content of the Board Report (*Besluit inhoud bestuursverslag*).

THE BOARD

The Board is the executive and supervisory body of the Company. It is entrusted with the management of the Company, it supervises the general course of affairs of and the business affiliated with the Company and is responsible for the continuity of the Company. The Board is accountable for these matters to the Company's general meeting of shareholders (the **General Meeting** (being the corporate body or, where the context so requires, the physical meeting)).

The Board's responsibilities include, among others, developing a view on long-term value creation by the Company and formulating a strategy in line with this view, identifying and managing the risks associated with the Company's strategy and business, appointing and dismissing the senior internal auditor, annually assessing the way in which the internal audit function fulfills its responsibility, approving the internal audit plan, giving account to the effectiveness of the design and operation of the internal risk management and control systems, ensuring compliance with all applicable laws and regulations and the Company's corporate governance structure and preparing the (semi-annual) financial statements and Board report and approving the annual budget and important capital investments.

The Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited pursuant to the law or the Articles. Pursuant to the Articles, the Board may allocate its duties and powers among the Directors pursuant to the Board Regulations (as defined below under 'The Board–Board Regulations') or otherwise in writing, provided that the following duties and powers may not be allocated to the Executive Directors: (i) supervising the performance of the Executive Directors, (ii) making a nomination for the appointment of Directors, (iii) determining an Executive Director's remuneration and (iv) instructing an auditor to audit the financial statements. Regardless of an allocation of duties and powers, all Directors remain collectively responsible for the proper management and strategy of the Company (including the supervision thereof in the case of the Non-Executive Directors).

Board Regulations

The Board has drawn up regulations dealing with its internal organization and setting out, among others, the role and responsibilities of the Board, its composition and size and the manner in which its meetings should be held (the **Board Regulations**). The Board Regulations are available on the investor relations part of the UMG website.

Composition

The Articles provide that the Board shall consist of one or more Executive Directors and one or more Non-Executive Directors. The number of Executive Directors and the number of Non-Executive Directors shall be determined by the Board. The Board currently comprises of two Executive Directors and eleven Non-Executive Directors, four of whom, being Sherrry Lansing, Bill Ackman, Cyrille Bolloré and Nicole Avant, were appointed to the Board by the General Meeting on May 12, 2022:

Name	Function
Sir Lucian Grainge	Executive Director, Chairman and Chief Executive Officer
Vincent Vallejo	Executive Director, Deputy Chief Executive Officer
Sherry Lansing	Non-Executive Director, Chairman of the Board
Anna Jones	Non-Executive Director, Vice-Chairman of the Board
Antoine Fiévet	Non-Executive Director
Bill Ackman	Non-Executive Director
Cathia Lawson-Hall	Non-Executive Director
Cyrille Bolloré	Non-Executive Director
James Mitchell	Non-Executive Director
Luc van Os	Non-Executive Director
Manning Doherty	Non-Executive Director
Margaret Frerejean-Taittinger	Non-Executive Director
Nicole Avant	Non-Executive Director

Judy Craymer CBE acted as Non-Executive Director and Chairman of the Board until January 10, 2023, on which date she decided to resign from the Board to focus on her activities as a film and theater producer.

Appointment and appointment term

The Executive Directors and Non-Executive Directors are appointed as such by the General Meeting at the non-binding nomination of the Board. A nomination by the Board shall state whether a person is nominated for appointment as Executive Director or Non-Executive Director. The person so nominated is appointed by a resolution adopted by the General Meeting with a simple majority of the votes cast. A Director shall be appointed for a maximum period of two years, provided, however, that his or her term of office shall lapse immediately after the close of the annual General Meeting held in the second year after his or her appointment. A Director may be reappointed with due observance of the preceding sentences. At the proposal of the Board, the General Meeting may resolve to deviate from the maximum period of two years. The Articles provide that each Non-Executive Director may be in office for a maximum period of twelve years, unless at the proposal of the Board the General Meeting resolves otherwise. A Non-Executive Director's term of office shall lapse in accordance with a retirement schedule drawn up by the Board to avoid, as much as possible, retirements of Non-Executive Directors occurring all at the same time so as to ensure continued experience on the Board. Currently, the Non-Executive Directors' terms of office all lapse at the close of the annual General Meeting to be held in 2024 but it is the intention that the use of the retirement schedule will result in a staggered replacement of the Non-Executive Directors.

The initial appointment dates of the Non-Executive Directors and the end of their current terms are as follows:

Name	Appointment date	End of current term
Sherry Lansing	May 12, 2022	Until annual General Meeting to be held in 2024
Anna Jones	September 20, 2021	Until annual General Meeting to be held in 2024
Antoine Fiévet	September 20, 2021	Until annual General Meeting to be held in 2024
Bill Ackman	May 12, 2022	Until annual General Meeting to be held in 2024
Cathia Lawson-Hall	September 20, 2021	Until annual General Meeting to be held in 2024
Cyrille Bolloré	May 12, 2022	Until annual General Meeting to be held in 2024
James Mitchell	September 20, 2021	Until annual General Meeting to be held in 2024
Luc van Os	September 20, 2021	Until annual General Meeting to be held in 2024
Manning Doherty	September 20, 2021	Until annual General Meeting to be held in 2024
Margaret Frerejean-Taittinger	September 20, 2021	Until annual General Meeting to be held in 2024
Nicole Avant	May 12, 2022	Until annual General Meeting to be held in 2024

In accordance with the Relationship Agreement, which was co-signed by the Company for agreement and acknowledgement, the Tencent-led consortium (consisting of Concerto Investment B.V. and Scherzo Investment B.V.) has the right to designate up to two Non-Executive Directors for appointment by the General Meeting until the close of the annual General Meeting to be held in 2024, subject to the Tencent-led consortium holding at least 181,324,116 Shares (the **Threshold Stake**). Moreover, the parties to the Relationship Agreement have agreed to vote in favor of the appointment of a person designated by the Tencent-led consortium in case one of the Non-Executive Directors appointed at the designation of the Tencent-led consortium no longer serves as a Non-Executive Director during the period until the close of the annual General Meeting to be held in 2024.

Should at any time during the period until the close of the annual General Meeting to be held in 2024, (i) the Tencent-led consortium own in the aggregate less than the Threshold Stake, but still 50% or more of the Threshold Stake, the Tencent-led consortium shall procure that one of the Non-Executive Directors appointed at the designation of the Tencent-led consortium resigns and (ii) the Tencent-led consortium own in the aggregate less than 50% of the Threshold Stake, the Tencent-led consortium shall procure that both of the Non-Executive Directors appointed at the designation of the Tencent-led consortium resign.

James Mitchell and Manning Doherty have been appointed at the designation of the Tencent-led consortium such in accordance with the Relationship Agreement.

Suspension and dismissal

The General Meeting may at all times suspend or dismiss any Director. The Board may at all times suspend an Executive Director. A suspension may be extended one or more times but may not last longer than three months in aggregate. If at the end of that period, no decision has been taken on the termination of the suspension or on a dismissal, the suspension shall end. A suspension can be terminated by the General Meeting at any time.

Independence

A Non-Executive Director shall not be considered independent if such Non-Executive Director, his or her spouse, registered partner or life companion, (foster) child or relative by blood or marriage up to the second degree:

- has been an employee of the Company or Executive Director or an employee or member of the management board of an associated company in the five years prior to his or her appointment
- receives personal financial compensation from the Company or an associated company, other than the compensation received for the work performed as a Non-Executive Director and in so far as this is not in keeping with the normal course of business
- has had an important business relationship with the Company or an associated company in the year prior to the appointment
- is a member of the management board of a company in which an Executive Director is a member of the supervisory board
- has temporarily performed management duties during the previous twelve months in the absence or incapacity of Executive Directors
- has a shareholding of at least 10% in the issued share capital of the Company, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement
- is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least 10% of the issued share capital of the Company unless the legal entity is a subsidiary

The independency of Non-Executive Directors is assessed prior to their nomination for appointment to the Board and, thereafter, annually.

Limitations on supervisory or non-executive positions

The number of an Executive Director's supervisory or non-executive positions of large Dutch companies or foundations shall be limited to a maximum of two. An Executive Director may not be the chairperson of a supervisory board or of a one-tier board of another large Dutch company or foundation. The number of a Non-Executive Director's supervisory or non-executive positions of large Dutch companies or foundations shall be limited to a maximum of five, for which purpose the chairmanship of a supervisory board or of a one-tier board counts twice. Directors shall not pursue the candidacy for a supervisory or non-executive or similar position in companies other than subsidiaries of the Company without the Board's prior approval.

Diversity

The Board has drawn up a diversity policy (the **Diversity Policy**) as per best practice provision 2.1.5 of the Code as well as a profile for Non-Executive Directors (the **Profile**) as per best practice provision 2.1.1 of the Code, laying down the elements of a diverse composition. As set out in the Diversity Policy, the Board acknowledges the benefits of greater diversity, including gender, nationality, ethnicity and age diversity, and remains committed to ensuring that the Directors bring a wide range of skills, knowledge, experience, background and perspectives. All nominations for appointment will be made on merit against objective criteria, in the context of the overall balance of skills and background that the Board needs to maintain in order to remain effective. The Board is committed to ensuring that, in accordance with the Diversity Policy, at least one third of the Board consists of women and at least one third of the Board consists of men, as well as to increasing the nationality, ethnicity and age diversity. The Board is further committed to ensuring that the composition of the Board has a good balance in terms of skills, knowledge, experience, background and perspectives and to considering candidates from a wide pool, including candidates with no prior publicly listed company experience.

The Nomination Committee (as defined below under 'The Board––Committees') is responsible for supporting the Board in applying the Diversity Policy by annually reviewing the Board's composition and effectiveness and in considering the balance of skills, experience and independence of the Board. In addition, it is required to consider the benefits of all aspects of diversity, but without compromise as to the caliber of Directors, when identifying candidates to be nominated for appointment.

The Board considers its current composition in line with the objectives of the Diversity Policy, and with women representing 38% of all Directors and 45% of the Non-Executive Directors also in line with the gender diversity requirements included in the Diversity Policy and Dutch law (as set out below), respectively. In addition, the Board considers that with the appointment of the four new Non-Executive Directors, being Sherry Lansing, Bill Ackman, Cyrille Bolloré and Nicole Avant, to the Board, both the ethnicity and age diversity have increased.

As per January 1, 2022, Dutch law requires that (i) at a Dutch publicly listed company, at least one third of the supervisory or non-executive directors consist of women and at least one third of the supervisory or non-executive directors consist of men, and (ii) a large Dutch company sets appropriate and ambitious gender diversity targets for the company's top and sub-top, develops an action plan and reports on progress made to the Social and Economic Council (*Sociaal-Economische Raad*). As the Company, as per January 1, 2023, officially qualifies as a large Dutch company now that it on two consecutive balance sheet dates has met the relevant criteria, it will - going forward - also report on the latter requirement in the Board report.

Conflicts of interest

A Director shall not participate in the discussion and/or decision-making process of the Board where it concerns a transaction in respect of which he or she has a direct or indirect personal conflict of interest with the Company. If there is such conflict of interest in respect of all Directors, the decision shall nevertheless be taken by the Board.

In accordance with best practice provisions 2.7.3 and 2.7.4 of the Code and as laid down in the Board Regulations and the RPT Policy (as defined below under 'The Board––Related party transactions'), a Director having a (potential) conflict of interest in a transaction that is of material significance shall immediately report such conflict of interest to the Chairman of the Board (and, in the case of an Executive Director, also to the other Executive Directors) and shall provide all relevant information, including information relevant to the situation concerning his or her spouse, registered partner or other life companion, (foster) child and relative by blood or marriage up to the second degree. In the case of the Chairman of the Board having such conflict of interest, he or she shall immediately report such conflict of interest to the Vice-Chairman of the Board. Any such transaction must be entered into on terms which are customary in the market, approved by the Board and published in the Board report together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 of the Code have been complied with.

Any transaction between the Company and a natural or legal person who or which holds at least 10% of the issued share capital of the Company that is of material significance must be entered into on terms which are customary in the market, approved by the Board and published in the Board report together with a statement that best practice provision 2.7.5 of the Code has been complied with.

The only related party transaction in which there was a (potential) conflict of interest (within the meaning of the Code) that was of material significance was the following: as part of the Tencent-led consortium's acquisition of its stake in UMG, Tencent Music Entertainment was originally granted a call option to acquire up to 25% (but no less than 20%) of the share capital of the holding company which controls UMG's Greater China operations. As the exercise period was due to expire, the call option was amended as follows: (i) the counterparty has become Tencent Holdings, (ii) Tencent Holdings has the option to acquire up to 12.5% (but no less than 10%) of the share capital of the holding company which controls UMG's Greater China operations, and (iii) Tencent Holdings has 24 months from the date of granting to exercise the amended call option.

In Note 24 'Related parties' to the consolidated financial statements, details of all related party transactions are set out. In respect of the related party transactions in which there was a conflict of interest (within the meaning of the Code) that was of material significance, best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the Code have been complied with if such transactions were entered into after the date of the Listing.

Related party transactions

The Board has drawn up a related party transactions policy (the **RPT Policy**) for the purpose of providing a procedure that prevents related parties from taking advantage of their position as well as adequate protection for the interests of the Company and its stakeholders. The RPT Policy stipulates when a transaction qualifies as a related party transaction (within the meaning of article 2:167 paragraph 3 of the Dutch Civil Code (*Burgerlijk Wetboek*)) and provides that a related party transaction must be approved by the Board in case it is not entered into in the ordinary course of business and on terms which are customary in the market. A Director shall not participate in the discussion and/or decision-making process of the Board if he or she is involved in a related party transaction. A related party transaction that was concluded in the ordinary course of business and on terms which are customary in the market shall be periodically assessed by the Board.

In Note 24 'Related parties' to the consolidated financial statements, details of all related party transactions (whether or not within the meaning of article 2:167 paragraph 3 of the Dutch Civil Code) are set out.

Resolutions subject to approval of the Board

In addition to transactions involving a conflict of interest and related party transactions, which require the approval of the Board as set out above under

'The Board––Conflicts of interest' and 'The Board––Related party transactions', respectively, in accordance with the Board Regulations, the Company does not enter into any transaction with a value in excess of €300,000,000 that relates to (i) a disposal, sale or acquisition of all or a portion of investments in any company, business or group created or to be created, whatever its legal form, (ii) a proposal or approach to a third party concerning a significant transaction involving the Company or any of its subsidiaries, and (iii) a financing activity (including a bank loan, overdraft, vendor financing, asset securitization program, pension fund or transaction involving a joint venture or minority interest) and the granting of a guarantee or security right, without the approval of the Board.

Remuneration

On September 20, 2021, the General Meeting adopted the remuneration policies for the Executive Directors and Non-Executive Directors. The remuneration of the Executive Directors and Non-Executive Directors shall be determined by the Board with due observance of the applicable remuneration policy. The Executive Directors shall not participate in the discussion and/or decision-making process regarding the determination of the remuneration of the Executive Directors. The remuneration policies are available on the investor relations part of the UMG website. In the Remuneration report, details of the individual remuneration of the Executive Directors and Non-Executive Directors are set out.

Severance

In the event of termination by the Company without cause or termination by Sir Lucian Grainge for good reason, Sir Lucian Grainge and Vincent Vallejo are entitled to severance payments as set out in the Remuneration report under 'Severance Payments'.

Directors' & officers' liability insurance policy and indemnity

The Executive Directors and Non-Executive Directors as well as certain officers are insured under a directors' and officers' liability insurance policy taken out by the Company against damages resulting from their conduct when acting in their capacities as Directors or officers with coverage and terms customary for a publicly listed company of the size of the Company. Although the policy provides for broad coverage, the Executive Directors, Non-Executive Directors and officers may become subject to uninsured liabilities.

In addition, pursuant to the Articles, the Company has agreed to indemnify each Executive Director and each Non-Executive Director for any claim against him or her that he or she may derive from exercising his or her duties as an Executive Director or Non-Executive Director, provided that he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company or out of his or her mandate and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Committees

The Board has appointed from among its Non-Executive Directors three committees to assist it in discharging its responsibilities: an audit committee (the **Audit Committee**), a remuneration committee (the **Remuneration Committee**) and a nomination committee (the **Nomination Committee**). Without prejudice to the collegiate responsibility of the Board, the duty of these committees is to prepare the decision-making of the Board.

The Board has drawn up regulations for each committee, setting out the role and responsibilities of the committee concerned, its composition and size and the manner in which its meetings should be held. These regulations are available on the investor relations part of the UMG website.

The Report of the Non-Executive Directors states the composition of the committees, the number of meetings held and the main items discussed at such meetings.

The Audit Committee

According to the regulations of the Audit Committee, the Audit Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Audit Committee's main responsibilities include: (i) supervising and monitoring, and discussing with and advising the Board on, the effectiveness of the design and operation of the internal risk management and control systems and supervising the effect of the Code of Conduct, (ii) supervising the preparation and submission of financial information by the Company, (iii) supervising the compliance with recommendations and observations of the internal auditor and external auditors, (iv) supervising the functioning of the internal audit department, (v) supervising the Company's tax policy, (vi) supervising the financing of the Company, (vii) supervising the applications of information and communication technology, including risks relating to cybersecurity, (viii) maintaining frequent contact and supervising the relationship with the external auditors, (ix) implementing the procedure for the selection of the external auditors and submitting a recommendation to the Non-Executive Directors for the (re)appointment or dismissal of the external auditors by the General Meeting, (x) informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process, (xi) monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity, (xii) determining whether, and if so, how the external auditors shall be involved in the content and publication of financial reports other than the financial statements, (xiii) issuing a recommendation on the appointment and dismissal of the senior internal auditor, (xiv) submitting a proposal to the Board for the external auditors' engagement to audit the financial statements, and (xv) considering and, where appropriate, approving the (semi-annual) financial statements, the annual budget and major capital expenditures of the Company.

The Audit Committee shall consist of at least three members appointed by the Board from among its Non-Executive Directors. More than half of the members of the Audit Committee, including the chair of the Audit Committee, shall be independent within the meaning of best practice provision 2.1.8 of the Code. The Audit Committee may not be chaired by the Chairman of the Board or by a former Executive Director. At least one member of the Audit Committee shall have competence in accounting and/or auditing and the members as a whole shall have competence relevant to the sector in which the Company operates.

The Audit Committee shall hold at least four meetings per year and whenever one or more of its members have requested a meeting. The quorum of any meeting shall be a majority of the members of the Audit Committee. The Audit Committee shall meet with the external auditors as often as it considers necessary, but at least once a year, outside the presence of the Executive Directors. The Chief Financial Officer, the internal auditor and the external auditors shall attend the meetings of the Audit Committee, unless the Audit Committee determines otherwise. The Audit Committee shall decide whether and, if so, when the Chairman of the Board shall attend its meetings.

The Remuneration Committee

According to the regulations of the Remuneration Committee, the Remuneration Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the determination of the remuneration of the individual Executive Directors and Non-Executive Directors, with due observance of the remuneration policies for the Executive Directors and Non-Executive Directors, respectively, and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Remuneration Committee's main responsibilities include: (i) at least every four years submitting a proposal to the Board for the remuneration policies to be pursued and (ii) annually preparing the remuneration report, to be tabled at the annual General Meeting.

The Remuneration Committee shall consist of at least three members appointed by the Board from among its Non-Executive Directors. More than half of the members of the Remuneration Committee shall be independent within the meaning of best practice provision 2.1.8 of the Code. The Remuneration Committee may not be chaired by the Chairman of the Board or by a former Executive Director.

The Remuneration Committee shall hold at least two meetings per year and whenever one or more of its members have requested a meeting. The quorum of any meeting shall be a majority of the members of the Remuneration Committee.

The Nomination Committee

According to the regulations of the Nomination Committee, the Nomination Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Nomination Committee's main responsibilities include: (i) drawing up selection criteria and appointment procedures for the Directors, (ii) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Non-Executive Directors, (iii) periodically assessing the functioning of the individual Directors and the Board as a whole, and reporting on this to the Board, (iv) making recommendations for (re)appointments of Directors and (v) supervising the policy of the Board on the selection criteria and appointment procedures for senior management.

The Nomination Committee shall consist of at least three members appointed by the Board from among its Non-Executive Directors. More than half of the members of the Nomination Committee shall be independent within the meaning of best practice provision 2.1.8 of the Code.

The Nomination Committee shall hold at least two meetings per year and whenever one or more of its members have requested a meeting. The quorum of any meeting shall be a majority of the members of the Nomination Committee.

The Market Disclosure Committee

The Board has also appointed a market disclosure committee, consisting of seven members, which is responsible for the timely and accurate disclosure of all information that is required to be so disclosed to the market in order to meet the applicable legal and regulatory obligations and requirements arising from the Listing.

The market disclosure committee shall meet at such times as shall be necessary or appropriate, as determined by the chair of the market disclosure committee or, in his or her absence, by any other member of the market disclosure committee. The market disclosure committee is not a committee of the Board although its members are appointed by the Board.

THE GENERAL MEETING

Annual and extraordinary General Meetings

The Shareholders exercise their rights through annual and extraordinary General Meetings.

Annual General Meetings

The annual General Meeting shall be held within six months after the end of the financial year. The agenda of the annual General Meeting typically includes the following (discussion or voting) items: (i) the discussion of the annual report, (ii) the consideration of the remuneration report, (iii) the adoption of the financial statements, (iv) the discussion of the dividend policy and the proposal to distribute dividends, (v) the discharge of the Directors for the performance of their duties, (vi) the filling of any vacancies, (vii) the adoption of the remuneration policies for the Executive Directors and Non-Executive Directors insofar as any adjustments to the remuneration policies so require or four years after their former adoption, (viii) the appointment of the external auditors, and (ix) any other items brought forward by the Board.

Extraordinary General Meetings

Extraordinary General Meetings shall be held as often as the Board deems necessary. In addition, one or more of the Shareholders representing individually or jointly at least 10% of the issued share capital of the Company are entitled to request the Board in writing that a General Meeting is convened, the request setting out in detail the items to be discussed. If the Board has not taken the steps necessary to ensure that a General Meeting can be held within eight weeks of the request, the relevant Shareholder or Shareholders may at its or their request be authorized by a Dutch court in summary proceedings to convene a General Meeting. In any event, a General Meeting shall be held to discuss any requisite measures within three months of it becoming apparent to the Board that the shareholders' equity of the Company has decreased to an amount equal to or lower than 50% of the issued and called-up part of the share capital of the Company.

Place

According to the Articles, General Meetings shall be held in Amsterdam, Rotterdam, Hilversum or Haarlemmermeer (including Schiphol Airport).

Convocation

A General Meeting is convened by the Board by means of a convocation notice, which must be given at least forty-two days before the day of the General Meeting.

Right to include items on the agenda

One or more of the Shareholders representing individually or jointly at least 3% of the issued share capital of the Company are entitled to request the Company in writing that an item is included on the agenda of the General Meeting. The request must be sufficiently motivated and received by the Company at least sixty days before the day of the General Meeting. The Company cannot be forced to include a voting item on the agenda of the General Meeting where the voting item concerns a matter which does not lie within the powers of the General Meeting. In accordance with best practice provision 4.1.6 of the Code, the

Shareholders are expected to only exercise the right of including an item on the agenda of the General Meeting after having consulted the Board in that respect.

Response time

If one or more of the Shareholders request that an item is included on the agenda of the General Meeting that may result in a change in the Company's strategy (via, for example, a change in the composition of the Board), the Board may invoke a response time. The possibility to invoke a response time also applies to a request of such Shareholder or Shareholders to be authorized to convene a General Meeting as set out above under 'The General Meeting––Annual and extraordinary General Meetings––Extraordinary General Meetings'.

Chairperson of the General Meeting

The General Meeting shall be presided over by the Chairman of the Board or another Director designated for that purpose by the Board. If the Chairman of the Board is not present at the General Meeting and no other Director has been designated by the Board to preside over the General Meeting, the General Meeting itself shall appoint a chairperson of the General Meeting. The chairperson has all powers necessary to ensure the orderly and efficient conduct of the General Meeting. The chairperson decides on all matters relating to admission to the General Meeting and may admit third parties to the General Meeting. The Directors are in any event authorized to attend the General Meeting, in which they have an advisory vote. The external auditors are also authorized to attend the General Meeting.

Participation

Each Shareholder is entitled, in person or represented by a proxy authorized in writing, to attend and address the General Meeting and to exercise its voting rights. Each Shareholder may exercise such rights if it is a Shareholder on the record date, which is the twenty-eighth day before the day of the General Meeting, and it has notified the Company in writing of its intention to do so in the manner and by the date specified in the convocation notice. The Board may determine that a Shareholder entitled to exercise its voting rights may cast its vote prior to the General Meeting by means of electronic communication or letter. Votes cast in accordance with the previous sentence rank equal to votes cast at the General Meeting.

Each Share confers the right on the holder thereof to cast one vote at the General Meeting. All resolutions of the General Meeting shall be adopted by a simple majority of the votes cast, unless Dutch law or the Articles require a qualified majority. Some resolutions require a qualified majority if less than half of the issued share capital of the Company is present or represented at the General Meeting. No special control rights are attached to the Shares. There are no restrictions on the exercise of voting rights under Dutch law or the Articles nor, as far as the Company is aware, under the Relationship Agreement.

The General Meeting has authority to adopt resolutions concerning, among others, the following matters:

- the issue of Shares or the granting of rights to subscribe for Shares (and to designate the Board as the competent body to issue Shares or to grant rights to subscribe for Shares)
- the limitation or exclusion of the pre-emptive right in relation to Shares or rights to subscribe for Shares (and to designate the Board as the competent body to limit or exclude the pre-emptive right in relation to Shares or rights to subscribe for Shares)

- the authorization of the Board to acquire Shares on behalf of the Company
- the reduction of the issued share capital of the Company
- the appointment of Executive Directors and Non-Executive Directors
- the suspension and dismissal of Executive Directors and Non-Executive Directors
- the adoption of the remuneration policies for the Executive Directors and Non-Executive Directors
- the adoption of the financial statements
- the appointment of the external auditors
- the distribution of dividends
- the amendment of the Articles
- the dissolution of the Company

No resolutions may be adopted on items other than those that have been included on the agenda (unless the resolution would be adopted unanimously during a General Meeting where the entire issued share capital of the Company is present or represented).

Resolutions of the Board regarding a significant change in the identity or character of the Company or its business are subject to the approval of the General Meeting. Such changes include in any event:

- the transfer of the business or practically the entire business to a third party
- the conclusion or cancellation of any long-lasting cooperation of the Company or a subsidiary with any other legal person or company or as a fully-liable general partner in a partnership, provided that the conclusion or cancellation of such cooperation is of material significance to the Company
- the acquisition or disposal of a participation in the issued share capital of a company with a value of at least one third of the assets, as shown in the consolidated balance sheet with explanatory notes according to the most recently adopted consolidated financial statements, by the Company or a subsidiary

Minutes

Minutes of the proceedings at the General Meeting shall be kept by a secretary who shall be designated by the chairperson of the General Meeting. Within three months after the end of the General Meeting, the minutes shall be made available to the Shareholders, which then have the opportunity to provide their comments in the three months thereafter. The minutes shall then be adopted by the chairperson and the secretary and signed by them as evidence thereof.

Issue of Shares and limitation or exclusion of pre-emptive right

The General Meeting is authorized to issue Shares. The General Meeting may designate the Board as the competent body to issue Shares and to determine the issue price and other conditions of the issue for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years). Such designation must state the number of Shares that may be so issued. The General Meeting shall, in addition to the Board, remain authorized to issue Shares if such is specifically stipulated in the resolution of the General Meeting designating the Board as the competent body to issue Shares. A resolution of the General Meeting to issue Shares and a resolution of the General Meeting designating the Board as the competent body to issue Shares can only be adopted at the proposal of the Board. The foregoing applies by analogy to the granting of rights to subscribe for Shares but does not apply to the issue of Shares to a person exercising previously granted rights to subscribe for Shares.

Each Shareholder has a pre-emptive right in proportion to the aggregate amount of its Shares upon an issue of Shares. The pre-emptive right does not apply to: (i) Shares issued to employees of the Company or of a group company, (ii) Shares issued against payment other than in cash and (iii) Shares issued to a person exercising previously granted rights to subscribe for Shares. The pre-emptive right may be limited or excluded by a resolution of the General Meeting. The pre-emptive right may also be limited or excluded by a resolution of the Board if the Board has been designated as the competent body to limit or exclude the pre-emptive right by the General Meeting for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years), and the Board has also been designated as the competent body to issue Shares by the General Meeting. A resolution of the General Meeting to limit or exclude the pre-emptive right and a resolution of the General Meeting designating the Board as the competent body to limit or exclude the pre-emptive right can only be adopted at the proposal of the Board and requires a qualified majority of at least two thirds of the votes cast if less than half of the issued share capital of the Company is present or represented at the General Meeting. The foregoing applies by analogy to the granting of rights to subscribe for Shares.

The Board has not been designated as the competent body to issue Shares and/or to limit or exclude the pre-emptive right by the General Meeting. However, on May 12, 2022, the General Meeting did resolve to issue Shares or grant rights to subscribe for Shares in order to give effect to awards granted under the 2022 UMG Global Equity Plan (as defined below in the Shareholder information section under '2022 UMG Global Equity Plan') to employees of the Company and its subsidiaries and to Executive Directors up to a total amount of 5% of the issued share capital of the Company as at May 12, 2022 and, to the extent necessary, to exclude the statutory pre-emptive right with respect to such Shares or rights to subscribe for Shares. The actual number of Shares to be issued or rights to subscribe for Shares to be granted in order to give effect to awards granted under the 2022 UMG Global Equity Plan is determinable by the Board (or a committee of the Board designated for such purpose).

Acquisition of Shares

The Company cannot subscribe for Shares. The Company may, however, acquire fully paid-up Shares for no consideration or under universal title of succession. In addition, the Company may acquire fully paid-up Shares against consideration if (i) the shareholders' equity of the Company less the acquisition price of the Shares does not fall below the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law, (ii) the aggregate nominal value of the Shares which the Company acquires, holds or on which it holds a right of pledge or which are held by a subsidiary does not exceed 50% of the issued share capital of the Company and (iii) the Board has been authorized to acquire Shares on behalf of the Company by the General Meeting. Such authorization is valid for a maximum period of eighteen months and as part of the authorization, the General Meeting must specify the number of Shares that may be acquired as well as the manner in which and the price range within which the Shares may be acquired. Such authorization is not required if the Company acquires fully paid-up Shares for the purpose of transferring such Shares to employees of the Company or of a group company under an equity compensation plan. Any acquisition of Shares that are not fully paid-up shall be null and void.

In calculating the amount of any dividend distribution on the Shares, Shares held by the Company shall be disregarded, unless such Shares are encumbered with a right of pledge or usufruct. Furthermore, the Company or a subsidiary may not cast votes in respect of Shares held by it or on which it holds a right of pledge or usufruct. However, a holder of a right of pledge or usufruct on Shares held by the Company or a subsidiary may cast votes in respect of such Shares, if the right of pledge or usufruct was created before the Shares were acquired by the Company or a subsidiary. In determining how many votes can be cast, how many Shareholders are present or represented or which part of the issued share capital of the Company is present or represented at the General Meeting, no account shall be taken of Shares in respect of which no votes can be cast.

On May 12, 2022, the General Meeting resolved to grant the Board the authority to acquire Shares on behalf of the Company up to a total amount of 10% of the issued share capital of the Company as at May 12, 2022, through purchases effected on a stock exchange or otherwise, for a period of eighteen months, including for the purpose of effecting potential share buyback programs in an efficient manner. The price shall range between an amount equal to the nominal value of the Shares and an amount equal to 110% of the share price, whereby the share price shall be understood to mean the average of the highest quoted price for each Share during the five trading days prior to the date of acquisition as published in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam.

Reduction of the issued share capital of the Company

At the proposal of the Board, the General Meeting may resolve to reduce the issued share capital of the Company by (i) cancelling Shares held by the Company or (ii) reducing the nominal value of the Shares by way of an amendment of the Articles. A resolution of the General Meeting to reduce the issued share capital of the Company requires a qualified majority of at least two-thirds of the votes cast if less than half of the issued share capital of the Company is present or represented at the General Meeting.

Appointment of the external auditors

The General Meeting appoints the external auditors to audit the financial statements. The Non-Executive Directors submit a nomination for the appointment of the external auditors to the General Meeting, upon the recommendation of the Audit Committee. Unless it concerns the renewal of an audit engagement, the recommendation of the Audit Committee shall be prepared following a selection procedure (an **auditor selection procedure**) organized by the Company under the responsibility of the Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities.

Pursuant to the non-binding guidelines of the Committee of European Auditing Oversight Bodies on the appointment of statutory auditors or audit firms by public-interest entities adopted on March 16, 2021 (the **Guidelines**), a publicly listed company who has become a public-interest entity for the first time after having already appointed an external auditor is required to organize an auditor selection procedure as soon as possible. In order to comply with the Guidelines and to move from a dual external auditor structure to a single external auditor structure, which is more in line with Dutch market practice, the Company - under the responsibility of the Audit Committee - initiated an auditor selection procedure in the second half of 2022 which was led by a selection committee designated by the Audit Committee for such purpose.

Amendment of the Articles

At the proposal of the Board, the General Meeting may resolve to amend the Articles. If a proposal to amend the Articles is to be submitted to the General Meeting, the convocation notice must state so and a copy of the proposal, including the verbatim text thereof, must be made available at the Company's office for inspection by, and must be made available free of charge to, the Shareholders until after the close of the General Meeting. An amendment of the Articles requires a notarial deed.

Dutch Decree on Article 10 of the Takeover Directive

Pursuant to the Dutch Decree on Article 10 of the Takeover Directive, the Board report needs to include information on, among others, the Company's share capital structure, any restrictions on voting rights and the transfer of Shares, substantial shareholdings in the Company, any special control rights attached to the Shares, any system of control regulating equity plans, the rules governing the appointment and dismissal of Executive Directors and Non-Executive Directors and the amendment of the Articles, the powers of the Board (in particular the power to issue Shares and to acquire Shares on behalf of the Company), any material agreement to which the Company is a party and which automatically comes into force or is amended or terminated upon a change of control over the Company following a takeover offer, and any agreement between the Company and a Director or employee providing for compensation if his or her employment is terminated because of a takeover offer. The information that needs to be included in the Board report pursuant to the Dutch Decree on Article 10 of the Takeover Directive is included in this Corporate governance section and in the Shareholder information section.

Compliance with the Code

The Company acknowledges the importance of good corporate governance and complies with most of the principles and best practice provisions of the Code, the full text of which can be found on www.mccg.nl. Deviations from any of the principles and best practice provisions of the Code are explained below in accordance with the Code's 'comply or explain' principle. Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be dealt with at the annual General Meeting as a separate item. On December 20, 2022, a revised version of the Code was published, which will apply as of the financial year 2023.

Deviations

Best practice provision 2.1.7 item (i) of the Code

As James Mitchell, Luc van Os and Manning Doherty were all Executive Directors (as from February 26, 2021, December 2, 2020 and February 26, 2021, respectively) prior to being appointed as Non-Executive Directors by the General Meeting, effective September 20, 2021, the Company does not comply with best practice provision 2.1.7 item (i) of the Code, which recommends that at most one Non-Executive Director is a former Executive Director. Since they have all been appointed for a period of more than two years, this deviation will continue for more than one financial year and may not be of a temporary nature. However, the Company deems that this deviation does not negatively impact the ability of these Non-Executive Directors to perform their duties critically and independently given the short period during which they were involved in the executive management of the Company prior to, and primarily in preparation for, the Listing.

Best practice provision 2.1.7 item (ii) of the Code

Since six out of eleven Non-Executive Directors, being Bill Ackman, Cathia Lawson-Hall, Cyrille Bolloré, James Mitchell, Luc van Os and Manning Doherty, are considered non-independent within the meaning of best practice provision 2.1.8 of the Code, the Company does not comply with best practice provision 2.1.7 item (ii) of the Code, which recommends that less than half of the Non-Executive Directors should be non-independent. Since they have all been appointed for a period of (more than) two years, this deviation will continue for more than one financial year and may not be of a temporary nature.

Best practice provision 2.1.7 item (iii) of the Code

Since two Non-Executive Directors, being James Mitchell and Manning Doherty, have been appointed by the General Meeting at the designation of the Tencent-led consortium, they are considered to be affiliated with or representing a (group of affiliated) shareholder(s) holding, directly or indirectly, more than 10% of the issued share capital of the Company and as such, the Company does not comply with best practice provision 2.1.7 item (iii) of the Code, which recommends that at most one Non-Executive Director is considered to be affiliated with or representing such (group of affiliated) shareholder(s). Since they have been appointed for a period of more than two years, this deviation will continue for more than one financial year. However, since the right of the Tencent-led consortium to designate two Non-Executive Directors for appointment by the General Meeting will contractually end after the close of the annual General Meeting to be held in 2024 as set out above under ‘The Board––Appointment and term of appointment’, this deviation may be of a temporary nature only.

Best practice provision 2.3.4 of the Code

Since the Audit Committee is chaired by Luc van Os, a former Executive Director, the Company does not comply with (the first sentence of) best practice provision 2.3.4 of the Code, which recommends that the Audit Committee should not be chaired by a former Executive Director. Since he has been appointed for a period of more than two years, this deviation will continue for more than one financial year and may not be of a temporary nature. However, the Company deems that this deviation does not negatively impact his ability to perform his duties critically and independently given the short period during which he was involved in the executive management of the Company prior to, and primarily in preparation for, the Listing.

Because of Judy Craymer CBE's resignation from the Board on January 10, 2023, and the consequent termination of her Board committee membership, the Company no longer complies with (the second sentence of) best practice provision 2.3.4 of the Code, which recommends that more than half of the members of each committee should be independent, now that two out of four of the Remuneration Committee members, being Cyrille Bolloré and James Mitchell, are considered non-independent within the meaning of best practice provision 2.1.8 of the Code. This deviation will likely be of a temporary nature only as the Board intends to appoint another independent Non-Executive Director to the Remuneration Committee in the course of the financial year 2023.

Best practice provision 3.1.2 item (vi) of the Code

The Company does not comply with best practice provision 3.1.2 item (vi) of the Code, which recommends that if shares are being awarded, they should be held for at least five years after the award date. Although awards granted under the 2022 UMG Global Equity Plan to Executive Directors are (and will be) subject to (multiple year) vesting requirements as set out in Note 23 'Share-based compensation plans' to the consolidated financial statements, there is no requirement that Shares should continue to be held once vested.

Best practice provision 3.2.3 of the Code

Sir Lucian Grainge shall be paid two years' salary, target bonus, pension contributions, car allowance, protection compensation, health and welfare benefits and €1,950,839 for lost value of Vivendi restricted stock units in a lump sum in the event of termination by the Company without cause or termination by Sir Lucian Grainge for good reason, and Vincent Vallejo shall be paid base salary, target bonus, contractually agreed exceptional premiums and any unpaid retention bonus or other bonuses in a lump sum for the period remaining on his initial two and half year fixed term agreement in the event of termination by the Company without cause. Accordingly, the Company does not comply with (the first sentence of) best practice provision 3.2.3 of the Code, which recommends that any severance in the event of dismissal should not exceed one year's salary. However, as the recommended severance is inconsistent with industry practices in the primary markets in which the Company competes for talent, such as the United States, complying with best practice provision 3.2.3 of the Code could be detrimental to Executive Director recruitment and retention. As the Company may decide to respect these legacy severance arrangements, which were already in place prior to the date of the Listing, this deviation may continue for more than one financial year and may not be of a temporary nature.

Corporate governance statement

Pursuant to the Dutch Decree on the Content of the Board Report, the Company is required to publish a statement concerning its approach to corporate governance and compliance with the Code. The information required to be included in this statement can be found in the following sections of the annual report:

- The information concerning compliance with the Code is set out above under 'Compliance with the Code'.
- The information concerning the Company's internal risk management and control systems relating to the financial reporting process is set out in the Risk and Risk Management section.
- The information concerning the functioning of the General Meeting and its powers and rights is set out above under 'The General Meeting'.
- The information concerning the composition and functioning of the Board and its committees is set out above under 'The Board' and in the Report of the Non-Executive Directors under 'Composition' and 'Committees'.
- The information concerning the Company's diversity policy is set out above under 'The Board––Diversity' and in the Report of the Non-Executive Directors under 'Diversity'.
- The information concerning the inclusion of the information required by the Dutch Decree on Article 10 of the Takeover Directive is set out above under 'Dutch Decree on Article 10 of the Takeover Directive'.

STATEMENTS OF THE BOARD

In control statement

In accordance with best practice provision 1.4.3 of the Code, the Board is of the opinion that for the financial year 2022:

- the Board report provides sufficient insight into any failings in the effectiveness of the internal risk management and control systems.
- the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies.
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis.
- the Board report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board report.

It should be noted that the foregoing does not imply that these systems and these procedures provide absolute assurance as to the realization of operational and strategic business objectives or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with all applicable laws and regulations.

For a detailed description of the internal risk management and control systems and the principal risks identified, please refer to the Risk and Risk Management section.

Responsibility statement

In accordance with article 5:25c(2)(c) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), the Board confirms that, to the best of its knowledge:

- the financial statements 2022 give a true and fair view of the assets, liabilities, financial position and result of the Company and the undertakings included in the consolidation as a whole for the financial year 2022.
- the Board report provides a true and fair view of the position as at December 31, 2022 and of the performance of the business during the financial year 2022 of the Company and the undertakings, details of which have been included in the financial statements 2022.
- the Board report includes a description of the principal risks that the Company faces.

The Board

Sir Lucian Grainge
Vincent Vallejo
Sherry Lansing
Anna Jones
Antoine Fiévet
Bill Ackman
Cathia Lawson-Hall

Cyrille Bolloré
James Mitchell
Luc van Os
Manning Doherty
Margaret Frerejean-Taittinger
Nicole Avant

Hilversum, March 30, 2023

BOARD REPORT
SHAREHOLDER INFORMATION

SHARE CAPITAL

The authorized share capital of the Company amounts to €27,000,000,000 and is divided into 2,700,000,000 ordinary shares with a nominal value of €10 per Share (the **Shares**). All Shares are registered and numbered consecutively from one onwards.

As at December 31, 2022, the issued share capital of the Company amounted to €18,135,127,420 and was divided into 1,813,512,742 Shares, the Company held 214,235 Shares in treasury and no depositary receipts for Shares were issued with the cooperation of the Company.

All Shares rank *pari passu* with each other. There are no restrictions on the transferability of the Shares under Dutch law or the Articles nor, as far as the Company is aware, under the Relationship Agreement.

Relationship Agreement

On September 8, 2021, Vivendi SE, Concerto Investment B.V., Scherzo Investment B.V., Compagnie de l'Odet and Compagnie de Cornouaille entered into a relationship agreement (the **Relationship Agreement**), which was co-signed by the Company for agreement and acknowledgement.

Further details on the Relationship Agreement are set out in the Corporate governance section under 'The Board––Appointment and appointment term' and 'The General Meeting––Annual and extraordinary General Meetings––Participation', above under 'Share capital' and below under 'Substantial shareholdings' and 'Dividend policy'.

Substantial shareholdings

Pursuant to the Dutch Financial Supervision Act, Shareholders are required to notify the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the **AFM**) in the event that they acquire or lose the disposal of a capital interest (and/or voting rights) in the Company as a result of which their percentage of capital interest (and/or voting rights) in the Company reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The requirement to notify the AFM also applies in the event that their percentage of capital interest (and/or voting rights) in the Company passively reaches, exceeds or falls below one of the thresholds due to a change in the issued share capital of (and/or voting rights in) the Company.

According to the AFM register, the following Shareholders have notified the AFM of their capital interest in the Company as at December 31, 2022:

Shareholder	Notification date	Capital interest
FMR LLC	November 11, 2022	3.02%
W.A. Ackman	November 1, 2022	10.27%[1]
V. Bolloré[2]	September 22, 2021	18.01%[3]
Vivendi SE[2]	September 22, 2021	10.03%
Concerto Partners LLC[2]	September 22, 2021	20%[4]

1 Held via PS VII Master L.P. (This percentage is based on notifications reflected in the AFM's Executive and Non-Executive Directors register rather than in the AFM's Substantial Shareholdings register.)

2 On September 22, 2021, each of V. Bolloré, Vivendi SE and Concerto Partners LLC has notified a percentage of voting rights in the Company of 48.03% based on a voting agreement included in the Relationship Agreement.

3 Held via Bolloré Participations SE, Omnium Bolloré, Financière V, Sofibol, Compagnie de l'Odet, Bolloré SE and Compagnie de Cornouaille.

4 Held via Scherzo Investment B.V. and Concerto Investment B.V.

It is possible that the stated percentages of capital interest differ from the actual percentages of capital interest as the Shareholders may only be required to notify the AFM in the event that their percentage of capital interest reaches, exceeds or falls below one of the thresholds.

In the Relationship Agreement, the parties have agreed to, among others, consult with one another prior to each General Meeting in order to form and exercise, to the extent possible, a common view and vote in respect of the various items related to the subjects included in and the obligations of the parties under the Relationship Agreement concerning the right of the Tencent-led consortium to designate up to two Non-Executive Directors for appointment by the General Meeting as set out in the Corporate governance section under 'The Board––Appointment and term of appointment' and the dividend policy as set out below under 'Dividend Policy'. Accordingly, the parties are considered to have concluded a voting agreement and are therefore required to aggregate their voting rights in the Company as set out in note 2 to the table above.

Change of control

The Company's facilities agreement (potentially) entitles each bank to claim early repayment of the amounts borrowed by it to the Company in the event of a change of control over the Company (as defined in the facilities agreement). In addition, the final terms of the 3.00% senior notes due June 30, 2027 as well as the final terms of the 3.75% senior notes due June 30, 2032 each entitle a holder of a note to require the Company to redeem or, at the Company's option, purchase such note at such note's nominal amount together with (an amount equal to) accrued interest in the event of a change of control over the Company (as defined in the terms and conditions of the notes).

2022 UMG Global Equity Plan

On May 12, 2022, the General Meeting approved the 2022 Universal Music Group Global Equity Plan (the **2022 UMG Global Equity Plan**) as well as the issuance of Shares or the granting of rights to subscribe for Shares in order to give effect to awards granted under the 2022 UMG Global Equity Plan to employees of the Company and its subsidiaries and to Executive Directors up to a total amount of 5% of the issued share capital of the Company as at May 12, 2022 and, to the extent necessary, the exclusion of the statutory pre-emptive right with respect to such Shares or rights to subscribe for Shares. The actual number of Shares to be issued or rights to subscribe for Shares to be granted in order to give effect to awards granted under the 2022 UMG Global Equity Plan is determinable by the Board (or a committee of the Board designated for such purpose). The 2022 UMG Global Equity Plan is available on the investor relations part of the UMG website.

The purpose of the 2022 UMG Global Equity Plan is to provide long-term incentives to employees of the Company and its subsidiaries and to Executive Directors which are linked to value creation for Shareholders and, where appropriate, the achievement of certain long-term strategic and financial goals through a variety of awards designed to attract, retain and motivate the best possible workforce. In addition, the 2022 UMG Global Equity Plan aims to afford employees of the Company and its subsidiaries and Executive Directors the opportunity to acquire and maintain ownership of Shares, thereby strengthening and aligning their concern for the interests of the Company and its stakeholders.

In Note 23 'Share-based compensation plans' to the consolidated financial statements, details of the various awards are set out.

Dividend policy

The distribution of profits shall be made after the adoption of the financial statements by the General Meeting from which it appears that the distribution is allowed. The Company may only make distributions to the extent the shareholders' equity of the Company exceeds the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law.

In accordance with the Relationship Agreement, the Company intends to, on an annual basis, pay dividends to all Shareholders, on a *pro rata* basis in two semi-annual instalments, in the aggregate amount of no less than 50% of the Company's net profits, subject to agreed non-cash items, calculated as follows:

- consolidated net profits of the most recent audited consolidated financial statements as of December 31 prepared in accordance with EU IFRS; *plus*
- (a) any loss arising on any change in fair value of any intangible assets, tangible assets or financial assets, (b) any amortization or impairment of intangible assets, (c) share-based compensation expenses, (d) net losses related to non-consolidated companies consolidated under the equity method, (e) net losses related to minority interests, (f) net provisions for inventories and (g) any unrealized loss related to derivative financial instruments; *minus*
- (h) any gain arising on any change in fair value of any intangible assets, tangible assets or financial assets, (i) any unrealized gain related to derivative financial instruments, (j) income or reversal related to share-based compensation, (k) net profits related to non-consolidated companies consolidated under the equity method and (l) net profits related to minority interests.

The Company intends to pay an interim dividend in the fourth quarter of each financial year after the publication of the semi-annual financial report, and a final dividend in the second quarter of the following financial year following adoption of the financial statements by the General Meeting.

On June 8, 2022, the Company paid a final dividend of €0.20 per Share, bringing the total dividend for the financial year 2021 to €0.40 per Share.

On October 28, 2022, the Company paid an interim dividend of €0.24 per Share, and the Board now proposes that on June 6, 2023, the Company pay a final dividend of €0.27 per Share, such proposal to be approved at the annual General Meeting to be held on May 11, 2023. If approved, this would bring the total dividend for the financial year 2022 to €0.51 per Share.

Capital events

Credit ratings

On May 31, 2022, the Company announced that it had been assigned a Baa1 long-term credit rating and a Prime-2 short-term credit rating with stable outlook by Moody's, as well as a BBB long-term credit rating and an A-2 short-term credit rating with stable outlook by S&P.

Euro Medium Term Note program

On June 30, 2022, the Company issued €500 million of 3.00% senior notes due June 30, 2027 as well as €500 million of 3.75% senior notes due June 30, 2032 under its Euro Medium Term Note program. The notes are admitted to trading on Euronext Amsterdam. The proceeds have been used for the refinancing of indebtedness and payment of transaction fees and expenses.

Negotiable European Commercial Paper program

On June 30, 2022, the Company set up its 1 billion Euro Negotiable European Commercial Paper program. The Company uses this financing for general corporate purposes.

Investor Relations

UMG is committed to maintaining an open and constructive dialogue with the Shareholders. UMG aims to keep the Shareholders updated by informing them clearly, accurately and in a timely manner about its strategy, performance and other matters and developments that could be relevant to their investment decisions.

Shares

On September 21, 2021, the Shares were admitted to listing and trading on Euronext Amsterdam (ticker symbol UMG). The Shares are included in a number of indices, including the AEX, which index reflects the twenty-five largest and most actively traded companies on Euronext Amsterdam in terms of free float market capitalization. At year-end 2022, the share price was €22.51 and the market capitalization was €40.8 billion. The average daily trading volume in 2022 was €38.7 million or 1.8 million Shares.

Share price information	2022
Market capitalization at year-end (€ billion)	40.8
Lowest closing price (October 11, 2022, €)	17.25
Highest closing price (April 14, 2022, €)	24.89
Closing price year-end (€)	22.51
Total shareholder return	(7.4%)
Average daily trading volume on Euronext (shares)	1.8 million

Per share data	2022
Dividend (€): 0.24 interim + 0.27 proposed final	0.51
Reported EPS (€)	0.43
Adjusted EPS (€)	0.80

Contact

Further information on UMG is available from the Investor Relations department, which can be reached by telephone: +31 35 799 4200 or by email: investorrelations@umusic.com. Further shareholder information is available on the investor relations part of the UMG website: https://investors.universalmusic.com.

BOARD REPORT

RISK AND RISK MANAGEMENT

UMG has a diverse portfolio of brands, music labels, artists, established (predictable) and developing businesses, all spread across different geographies and business structures. Whilst this level of diversification generally spreads risk across our business, it is critically important that the Company manages risks in a proactive and responsible way to ensure we can deliver on our multi-faceted growth strategies.

The Company's risk management is designed to provide reasonable assurance that strategic and operational objectives are met, legal requirements are complied with, and the integrity of the Company's financial reporting and related disclosures is safeguarded. However, there can be no absolute assurance that our risk management will avoid or mitigate all risks that UMG faces. The material risks are described in Risk Factors.

Risk Appetite

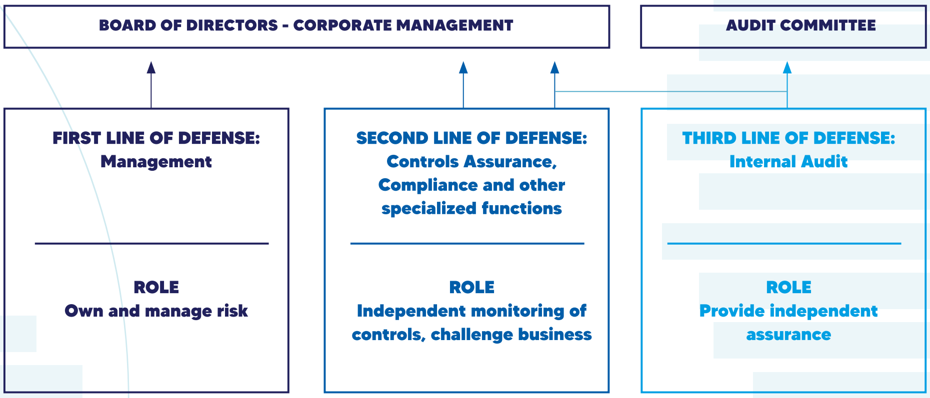
The Board of Directors and management seek to manage risks consistently within the risk appetite. UMG's risk appetite differs depending on the type of risk, ranging from averse to a seeking approach. We believe we must operate within the dynamics of the music industry and take risks needed to ensure we continually revitalize our offerings for our artists and the way we work. At the same time, UMG attaches prime importance to integrity, sustainability and compliance with laws and regulations. Risk appetite for the four main risk categories is visualized below.

UMG does not classify these risks in order of importance.

Governance, Risk and Compliance

The Company has an Internal Control Framework (ICF) modelled upon the COSO (Committee of Sponsoring of the Treadway Commission) 2013 framework. The ICF incorporates risk assessment, control activities and monitoring into our business practices at entity wide and functional levels.

For the organization of risk management and internal control systems, we have adopted a 'Three lines of defense' model (see chart below) to provide reasonable assurance that risks to achieving important objectives are identified and mitigated. To enhance and coordinate risk assurance across the company, a Governance, Risk and Compliance working group has been established in 2022 that meets on a periodic basis to review and monitor UMG's risk and control environment.



Monitoring and Assurance

A key element of our ICF is monitoring and assurance. The Company uses a comprehensive business planning and performance review process to monitor the Company's performance. This process covers the adoption of strategy, budgeting and the reporting of current and projected results. The company assesses business performance according to both financial and non-financial (including sustainability) targets.

All our businesses are required to maintain and manage a sound internal control environment with robust policies, procedures and controls and strong financial discipline.

In order to meet business needs and the requirements of the Dutch Corporate Governance Code, the Company has a Group-wide management certification process in place, which requires that the designated executive management team member at each of the reporting entities send attestation letters on a periodic basis to both the Corporate Financial Reporting Group (quarterly) and the Controls Assurance Function (semi-annually). Summarized, these letters confirm whether the reporting entities have incorporated the ICF in the local control policies and procedures and where deficiencies, non-adherence or breaches to the controls and/or procedures were found, that these have been reported and that the necessary remedial action has been undertaken to ensure that the internal control systems remain effective in preventing and detecting fraud and error.

Both the Controls Assurance and Internal Audit functions help to ensure that the Company maintains and improves the integrity and effectiveness of the system of risk management and internal control.

The ICF is being monitored by the second line of defense Controls Assurance function through controls testing activities. Internal Audit undertakes regular risk-based audits in accordance with the audit plan as approved by the UMG Audit Committee.

Continuous ICF Improvements

Management continues to invest in the further improvement of the risk and internal control systems in the Company. Built on the basis of the existing risk and controls mechanisms in place prior to the separation from Vivendi S.A., management has continued to upgrade its systems, including computer hardware infrastructure, adding additional financial and management controls, reporting systems and procedures and hire additional accounting, finance, internal control, internal audit and information technology staff. Management will continue to make further improvements in 2023, which will be aimed at, amongst other things:

- Driving business ownership of risks and controls
- Optimizing the level of monitoring of the risk and control systems
- Maturing the enterprise risk management program
- Optimizing the IT general controls framework
- Continue improving the quality and in particular the level of documentation of key controls across primary business processes

Compliance and Integrity

As the world's leading music company, UMG recognizes that we have a responsibility to set the right tone, lead by example, and ensure that all of our actions and decisions are based on honesty and integrity. UMG's global Code of Conduct sets our foundation that how we conduct business is as important as our results. The Code of Conduct outlines the key responsibilities for all our employees, officers, members of the board of directors, and (where permitted) third party consultants and advisors or representatives and requires:

- Honesty in all of our actions and decisions
- Treating everyone with respect
- Following the law and UMG policies when conducting company business
- Seeking guidance when we are not certain about the right thing to do
- Speaking up when we see a problem

We meet these requirements by focusing on four key principles:

1. **SETTING THE RIGHT TONE WITH OUR PEOPLE** by valuing diversity and inclusion; promoting a respectful, safe and healthy workplace; and by protecting human rights.

2. **SETTING THE RIGHT TONE FOR OUR COMPANY** by properly disclosing or avoiding any conflicts of interests and monitoring the receipt of gifts.

3. **SETTING THE RIGHT TONE IN THE MARKETPLACE** by following laws and regulations related to bribery and corruption; marketing and advertising; fair purchase practices and international trade regulations.

4. **SETTING THE RIGHT TONE IN OUR COMMUNITIES** by protecting the environment and contributing to our communities.

The Code of Conduct provides all employees a road map of how to make ethical choices and how to comply with our legal and regulatory obligations. Most importantly, it provides guidance on when and where to seek guidance or to report a potential compliance breach. All UMG employees are trained on the

Code of Conduct and must certify compliance with the Code of Conduct on an annual basis. The Code of Conduct is available in the investor relations section of UMG's public website.

Our compliance obligations are overseen by our Compliance department as well as our Control Assurance department, Internal Audit department and our Finance department. An internal control framework, including policies, procedures and financial discipline underpins our risk management. The Control Assurance department regularly conduct independent testing, whereas the Internal Audit department has integrated reviewing and objective and critical audits. Both departments ensure that UMG controls are followed and are sufficient to provide an appropriate control landscape.

Corruption and Bribery

UMG is committed to complying with all applicable laws in each of the countries in which we operate, including compliance with laws relating to anti-corruption and bribery. UMG does not tolerate any form of corruption or bribery within its organization. Non-compliance with laws and regulations, including anti-corruption, bribery and related laws could expose the Group to legal liability and may negatively impact the Company's reputation, financial position, results of operations and/or prospects. These risks may manifest themselves in interactions with government bodies, trade associations, and in the merchandising division.

The Company has implemented a number of measures to counter the aforementioned risks. UMG's stance against, and prohibition of, corruption and bribery is covered not only in its Code of Conduct but also in its global stand-alone anti-corruption and lobbying policy, which applies globally to all of UMG's employees and its directors. In addition to the annual Code of Conduct training, all employees in all UMG territories are periodically expected to complete training specifically on the topic of anti-corruption.

UMG's anti-corruption compliance program provides risk mitigation guidance on matters including, but not limited to: interactions with government officials; conflicts of interest; political contributions/lobbying activities/charitable giving; gifts/travel and entertainment; and proper maintenance of books and records. Employees are offered a multitude of ways to raise any concerns of anti-corruption and bribery, including dedicated reporting channels for conflicts of interest and gifts/hospitality, in addition to the option to use UMG's dedicated whistleblower reporting line or by making direct reports to supervisors, the General Counsel, or the Chief Compliance Officer.

Where relevant, UMG will take appropriate action in response to any allegations or reports of misconduct, including investigations, disciplinary action and/or criminal or civil procedures. The compliance department and internal audit department regularly monitor the effectiveness of the company's anti-corruption and bribery compliance program. UMG has a dedicated ethics committee to ensure compliance with the Code. The Chief Compliance Officer provides regular reports to the ethics committee of any material potential violations of the Code, including anti-corruption and bribery, the status of any investigations, and the outcome of any investigations. The ethics committee and the internal audit department will further notify the audit committee of the Board and the Board, itself, as required, depending on the circumstances of the potential violation. In 2022, no reports were received related to bribery or corruption and there were no known instances of bribery or corruption.

Fraud Risk

The Company maintains a global fraud risk register that summarizes risks and compensating measures. The global fraud risk assessment is an annual process and was performed in the latter half of 2022.

The Company's stance with regard to integrity is clearly outlined in its Code of Conduct, as also explained in this Risk Management chapter. Any incidents of fraud and theft within the Company will be promptly investigated, reported and, where appropriate, lead to disciplinary actions (from warnings to immediate terminations). In addition, we carry out in-depth investigations of (possible) fraud cases, which may lead to an intermediate update of the fraud risk assessment.

Whistleblowing Policy and Reporting

UMG's Code of Conduct and our standalone Whistleblowing Policy (which can also be found in the investor relations section of UMG's public website: https://investors.universalmusic.com/governance) provide numerous options for employees to seek guidance and report potential breaches of the Code of Conduct, including contacting the company's Chief Compliance Officer or General Counsel directly. Additionally, UMG provides a global reporting line, through a third-party provider. The global compliance and ethics hotline is available 24 hours a day, seven days a week via telephone or the internet. Reports can be made in all the languages in which we do business and may be made anonymously in those jurisdictions which permit anonymous reporting. The whistleblower hotline is available not only to UMG employees but third parties as well. Reports are maintained as confidentially as possible (or fully confidentially as may be required by law) and are investigated. In 2022, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical (including human rights) violations.

Additionally, the Compliance Department maintains and monitors email boxes dedicated to reporting potential conflicts of interest.

Prohibition Against Retaliation

In order to encourage reporting of potential breaches of the Code of Conduct or other company policies, we prohibit retaliation of any kind against anyone who makes a complaint or report of a potential violation of law or policy in good faith. Engaging in retaliation is itself a violation of our Code and may result in disciplinary action, up to and including termination of employment.

Risk Factors

UMG's business and the industry in which it operates, are subject to a number of risks. UMG believes that the risk factors as set out below, are the key risks and uncertainties concerning the Group's business and industry, and that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group's business, results and financial position.

In making this selection, the Group has considered circumstances such as the probability of the risk materializing on the basis of the current state of affairs, the potential impact which the materialization of the risk could have on the Group's business, results and financial position, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialize.

While the Group believes that the risks and uncertainties described below are the key material risks and uncertainties concerning the Group's business and industry, they are not the only risks and uncertainties relating to the Group.

Other risks, events, facts or circumstances not presently known to the Group, or that the Group currently deems to be immaterial could, individually or cumulatively, prove to be important and may have a significant negative impact on the Group's business, results and financial position. The risk factors below have been divided into categories; however, some risk factors appear in more than one category.

Risk	Likelihood	Impact
Challenge to attract, sign and retain successful artists and/or absence of superstar releases in a highly competitive and evolving industry	High	Moderate
Decline in streaming revenue, subscription adoption and digital marketshare	Moderate	Moderate
Digital service provider dependency	Moderate	Moderate
Competition in evolving markets	High	Moderate
Inability to timely adapt to trends and developments in the markets in which UMG operates	Moderate	Low
Piracy and content protection	High	High
Challenge to attract and retain internal talent	Moderate	Moderate
Impact of COVID-19	Moderate	Low
Cybersecurity	High	High
Changes in global economic and financial conditions	High	Moderate
Geopolitical Instability	High	Moderate
Dependency on information technology systems	Moderate	Moderate
Access to and cost of financing	Low	Low
Currency fluctuations	Moderate	Low
Changes in tax laws	Moderate	Moderate
Loss of intellectual property rights	Low	High
Data protection compliance	Moderate	High
Governmental and regulatory challenges	High	Moderate
Changes in laws and regulations; legal proceedings	Moderate	High

For each of the risks set out below, the Group has indicated examples of the programs, processes and controls which are designed to help manage and mitigate the risks. These risk responses are designed to manage risks towards, and should be read in conjunction with, the Risk Appetite as described above.

It is however possible that these initiatives may not be successful in limiting fully or partly the occurrence and impact of the risks on the Group's business, results and financial position.

Strategic Risks

Challenge to attract, sign and retain successful artists and/or absence of superstar releases in a highly competitive and evolving industry.
UMG may be unable to compete successfully in the highly competitive industry and markets in which it operates and UMG's business may be adversely affected if UMG fails to identify, attract, sign and retain successful recording artists and songwriters or by the absence of superstar releases.

The industry in which UMG operates is highly competitive, influenced by consumer preferences and rapidly evolving. UMG's competitive position is dependent on identifying, attracting, signing and retaining recording artists and songwriters who are or will become commercially successful, who have long-term potential, whose music is well received, whose subsequent music is demanded by consumers and whose music will continue to generate sales as part of its catalog for years to come.

UMG faces competition from traditional music industry players as well as new entrants, including investment funds whose investment thesis includes making acquisitions of collections of musical compositions, or "catalog acquisitions".

UMG is also dependent on signing and retaining songwriters who are capable of writing songs that will be the popular hits of today and the classics of tomorrow. UMG's competitive position is dependent on its continuing ability to attract and develop such recording artists and songwriters whose work can achieve a high degree of popularity and thereafter continue to create music and songs to retain, engage and expand their fan base.

UMG uses external sources of data provided by streaming platforms or other external providers. Limitations to access of such data could adversely impact UMG's capability of identifying future talents and therefore negatively affect its business. While UMG is required to devote significant time and investment to signing, retaining and developing artists, the returns on these activities are influenced by a number of factors, including factors outside of the control of UMG, and are uncertain at the time of investment. To the extent that the expected returns from these activities fail to materialize or are not in line with expectations, this may negatively impact UMG's results and financial position.

UMG's competitors may become more successful at signing, marketing and promoting recording artists, for example if UMG's competitors increase the amounts they spend to discover, or to market and promote, recording artists and songwriters or reduce the prices of their music in an effort to expand market share, which may adversely impact UMG's business, results and financial position.

UMG's recorded music business is to a large extent dependent on rapid and significant technological developments in order to remain competitive, including access to, selection and viability of new technologies, and UMG's recorded music business is subject to potential pressure from competitors as a result of technological developments modifying the nature of UMG's competition.

In addition, changing business practices, particularly due to the emergence of new technologies and access to a global network of consumers, has and could further result in artists choosing to make content available to consumers directly without being affiliated with a label or an intermediary, or could result in music services playing some of the roles that UMG has traditionally played. In this regard, UMG also competes with certain of the music distribution platforms who distribute the works of artists and songwriters without the involvement of labels or intermediaries.

Adapting to, and competing with, rapid technological advancements require substantial investment of time and resources; however, such investment does not guarantee UMG's success in developing, implementing, transitioning to, competing with, utilizing or defending against new technology. Any failure by UMG to accurately anticipate customers' changing needs and emerging technological trends could significantly harm UMG's competitive position and results of operations.

If UMG is unable to remain competitive as a result of technological developments, this could have a material adverse effect on UMG's business, results and financial position.

Risk response

With regard to the development of recording artists and songwriters, UMG believes that traditional, high-touch, full-service label deals with its portfolio of world- renowned labels provide the most long-term value to an artist and greatly increase the commercial success, consumer base and longevity potential for artists at every stage of their careers. These deals provide for the full suite of professional expertise and global resources of a major label, including a comprehensive approach to content creation, organic artist development, timing, marketing, promotion, financial investment, and forward planning.

UMG is pioneering partnerships with new platforms, continuing the decades-long fight for copyright protections all around the world while combatting piracy in its many forms and creating commercial environments for artists in countries where commerce in music was basically non-existent; UMG continues investing in the next generation of creative leaders.

UMG has consistently demonstrated the value it represents to an artist's success. Producing and marketing music successfully requires significant upfront investment and involves collaborating with the best writers and producers. UMG invests more money and expertise through its staff of industry specialists than any other recorded music company in signing and developing talent. Combining these investments and expertise with UMG's excellence in marketing and in promoting artists globally, enables UMG to consistently lead the industry in breaking artists.

UMG's diverse range of artists and labels helps the business consistently cater to changing consumer trends. As a result of having such a broad array of artists and labels, UMG is not reliant on one artist, or on a small number of artists, to generate revenue in any given year.

Decline in streaming revenue and/or subscription adoption.

UMG's business may be adversely affected should streaming and subscription adoption or revenue fail to grow or grow less rapidly than UMG anticipates.

Revenues from subscription music services are important. In 2022, UMG generated €5,321 million of revenue from subscription music services and ad-supported streaming, as compared to €4,481 million in 2021.

Consumption formats in the music industry are susceptible to technological advancements and changing consumer preferences around how music is accessed, as illustrated in recent years by the global decline in revenue derived from downloads and CD sales. These, and other factors, may in the future negatively impact subscription and ad-supported streaming, for example where newer formats become more popular with consumers. The uses of technology are constantly evolving, and it may not be possible to foresee the ways in which technology could be used to disrupt, the music industry, for example through the use of artificial inteligence and non-fungible tokens. Additionally, technology around streaming manipulation, fraud and hacking is becoming increasingly refined and subscription streaming services are particularly vulnerable which could undermine consumer confidence and cause revenue loss.

If UMG's subscription or streaming revenue fails to grow, grows less rapidly than it has over the past several years or declines, UMG's recorded music business may experience reduced levels of revenue and operating income. Additionally, slower growth in streaming adoption or revenue is also likely to have a negative impact on UMG's music publishing business, which generates a significant portion of its revenue from sales and other uses of recorded music.

Risk response

UMG continues to actively and successfully work with existing streaming and subscription partners to develop existing and create new revenue streams and help develop new regional and local streaming and subscription partners. UMG plays an active role in promoting the continued development of new digital services and consumer offerings in order to support a competitive, healthy and increasingly global market. UMG has agreements with several hundred global and local digital service providers around the world, establishing legal consumption of music in markets with high levels of piracy that previously didn't have legitimate commercial outlets, including the high-growth countries Brazil, India, China, Latin America, Africa, the Middle East, Eastern Europe and Southeast Asia. These partnerships have made music more accessible to fans around the world, offering a free-to-use option for consumers as an alternative to pirated content, with additional upsell opportunities created.

The result of UMG's leadership position, as well as its willingness to embrace new business partners and spearhead the development of new business models around the world, has resulted in an expanded market for music consumption and monetization, benefiting artists, fans, platform partners and music companies.

Digital service provider dependency.

UMG relies on digital service providers for the online distribution and marketing of its music on the basis of contractual terms that are subject to change.

UMG derives an increasing portion of its revenues from the distribution of music through digital distribution channels and partners with several hundred music services around the world. In 2022, the top 50 music services accounted for 96% of UMG's recorded music digital revenue. In 2022, 71% of UMG's recorded music revenue was derived from digital channels.

UMG currently enters into relatively short-term agreements with digital music streaming services. There can be no assurance that UMG will be able to renew or enter into new agreements with any digital music service. The terms of these agreements, including the rates that UMG receives pursuant to them and the basis for calculation of those rates, may change as a result of changes in the industry or changes in the law, or for other reasons. Decreases in rates or changes to other terms of agreements with digital music streaming services could adversely impact UMG's business, prospects, financial condition and results of operations.

UMG's music is also promoted by the digital music services on playlists curated by such services or generated from their algorithms (or a combination of both). Any unfavorable changes made by such service providers to their algorithms or to the terms on which they market or promote UMG's music could adversely affect UMG's revenues, operating results and financial position.

Risk response

While a number of digital service providers compete with each other in the music industry around the world, they all seek to work closely with UMG, the largest supplier of content to all of the digital service providers. This is because UMG's artist content is a key driver of customer acquisition for all of these platforms. UMG's world-renowned catalog, which is continuously growing through UMG's proven ability to develop and break new artists, makes UMG an important customer acquisition partner for platforms. The introduction of new products, services and revenue streams across segments spanning voice, fitness, social media, gaming, live streaming, brand partnerships, startups and other categories helps to further mitigate the reliance on a limited number of digital service providers.

Competition in evolving markets.

UMG may be unable to compete successfully in the evolving markets in which it operates or unable to execute its business strategy.

UMG expects to increase revenues and cash flow through a business strategy which requires, among other things, continuing to maximize the long-term value of its music by expanding the licensing partners with which UMG works and diversifying its revenue streams by partnering with an increasing array of new businesses that benefit from the use of music content to engage consumers.

The success of these initiatives relies on adequate third-party support and requires UMG to accurately forecast and keep up with technological developments and consumer preferences relating to platforms and may require UMG to implement new business models or adapt to new distribution platforms. If UMG is unable to implement its strategy successfully or properly react to changes in consumer preference, then its financial condition, results of operations and cash flows could be adversely affected.

Risk response

UMG is a key promotor of innovation across the digital ecosystem through partnerships in new product categories and through proactive efforts to cause its partners to evolve and innovate. UMG maximizes opportunities to introduce new products, services and revenue streams in various segments spanning voice, fitness, social media gaming, live streaming, brand partnerships, start-ups and other categories.

UMG's strategy includes efforts to grow revenues from new digital platforms, including fitness and video games, and through business arrangements with non-traditional partners, including social media platforms.

In 2022, UMG expanded and enhanced its landmark commercial partnership with Meta, reached agreement with Twitch to foster the creation of artist and label channels, and announced a global strategic partnership with Songclip.

UMG continued to lead the industry in crafting new licensing models for integrating music within the thriving health and fitness category, entering into new deals with partners such as Music Health for its Vera app, Y7 Studio and SATS.

Inability to timely adapt to trends and developments in the markets in which UMG operates.
UMG operates in many jurisdictions around the world and therefore is subject to a variety of trends, developments and limitations in those jurisdictions, which could affect it adversely.

UMG has offices engaged in recorded music, music publishing, merchandising and audiovisual content in more than 60 territories around the world. UMG's local presences have become increasingly important as the popularity of music originating from a country's own language and culture is very significant, and more countries around the world have developed legitimate business models to monetize music. In addition, UMG's business model is increasingly focused on developing business in new high-growth music markets. For example, in 2022, we strengthened our global presence through new activities, acquisitions, label launches and key partnerships in India, Greater China, Malaysia, Thailand, Vietnam, The Philippines and across Africa. However, if UMG's music does not continue to have appeal in various countries, UMG's results of operations could be adversely impacted and its investments in new jurisdictions could fail to generate returns for UMG in line with expectations. Additionally, UMG may not be successful in identifying and signing the most promising artists in these markets, which may negatively impact UMG's competitive position in these geographies, its prospects and its ability to generate returns in these markets.

In countries in which the Group currently conducts, or may in the future conduct, its businesses, the Group's operations, growth strategy and development may be negatively impacted as a result of less developed digital, internet and mobile network infrastructure. The Group's success, particularly streaming revenues, depend on the continued development and use of internet by consumers to access music as well as increasing high-speed internet and smartphone penetration. If internet access or smartphone penetration in these markets develops slower than expected, or is stalled, the Group's growth strategy could be adversely affected.

Further, depending on the customs and norms in various markets, UMG's presence in and generation of revenues from other countries may require UMG to accept longer accounts receivable settlement cycles and may subject UMG to difficulties in collecting its accounts receivables.

Risk response
UMG is committed to shaping culture through artistry and is responsive to the needs and ambitions of local talent. UMG's expansion strategy in markets around the world is already bearing fruit. In 2022, 62% of UMG's physical & digital recorded music revenues came from local repertoires in their own countries. Prior to entering a new market, UMG teams carefully identify areas of risk and develop a business case and strategic plan, which are presented to and approved by the UMG Executive Management Board and the UMG Investment Committee.

Piracy and content protection.
Piracy continues to adversely impact UMG's business and content protection is a key focus of UMG's business.

Technological advances and the conversion of music into digital formats have made it easy to create, transmit and distribute high-quality unauthorized copies of music in a manner that does not provide an economic return for UMG or its artists and songwriters. This includes "stream-ripping" to access UMG's music illegally through the internet. In a 2022 IFPI survey of 44,000 internet users across 22 countries, 40% of respondents aged 16-24 admitted using illegal stream-ripping services, the leading form of music piracy. Organized industrial piracy may also lead to decreased revenues and/or slowed growth of revenues.

The impact of piracy on legitimate music revenues and subscriptions is hard to quantify, but UMG believes that illegal file sharing and other forms of unauthorized activity, including stream manipulation, have a substantial negative impact on music revenues. If UMG is not successful in its content protection efforts as discussed below, its business, results of operations, financial condition and prospects may suffer.

Risk response
UMG invests significant resources in combatting the many forms of piracy of its music including through litigation, lobbying and interdiction. UMG also encourages its digital partners to support UMG's content protection efforts by taking direct action against unauthorized activity on their platforms.

Operational risks

Challenge to attract and retain internal talent.
UMG's ability to operate effectively could be impaired if it fails to attract and retain its executive officers and other key personnel.

UMG's success depends, in part, upon the continuing contributions of its executive officers and key operational and creative personnel, led by its Chairman and Chief Executive Officer. These executive officers and key personnel possess significant experience within the music industry and their established personal connections and relationships in the music industry are important to the Group's operations. UMG competes with other music and entertainment companies, record labels, digital service providers, technology companies and other companies for top talent, including executive officers and other key personnel.

If the Group were to unexpectedly lose a member of the Group's key management, its business activities, results of operations, financial position and prospects could be materially and adversely affected.

Risk response
UMG is an established brand with both an attractive name and business reputation in the talent market. UMG has taken proactive and preventative measures to retain talent as UMG adapts to the 'Future of Work.'

UMG has added more offerings geared towards equitable professional development across UMG's diverse employee community. These include tailored programming and resources, such as renowned guest instructors, and executive coaches to prepare employees for the next level of their career at

UMG. The initiatives are geared towards incentivizing early and mid-career employee retention, which are the groups most susceptible to risk.

UMG established an Equity Plan, designed to align senior employees with the long-term growth results of the business. The intention of the plan is to strengthen retention, motivation, and long term behavior.

Impact of COVID-19.
UMG's results of operations, cash flows and financial condition have been and may continue to be adversely impacted by the COVID-19 pandemic.

Certain of the measures taken by national and regional governments, including, stay-at-home orders and limitations on indoor and outdoor gatherings have negatively affected UMG's business. For example, the extended pause over live concert tours adversely impacted UMG's sale of tour merchandise which resulted in a decline in revenue from UMG's merchandising business in 2020. UMG's merchandising segment relies on vendors outside of the United States and therefore, faces risks inherent in purchasing from foreign suppliers, including the COVID-19 pandemic on the supply chain.

The limitations on live concert touring have also adversely impacted music publishing performance revenues. The stay-at-home orders also resulted in the cessation of or significant delay in the production of motion pictures and television programs, which negatively affected licensing revenue in UMG's recorded music business and synchronization revenue in its music publishing business. It has been widely reported that early in the COVID-19 pandemic, advertisers temporarily reduced their advertising spend. This resulted in a corresponding initial decline in ad-supported streaming revenue in UMG's recorded music business and, to a lesser extent, recorded music licensing revenue and music publishing synchronization, performance and mechanical ad-supported streaming revenue. UMG's physical sales rely in part on distribution and retailing of CDs or vinyl through major retail chains and local shops. Shop closures and stay-at-home orders negatively affected physical sales of music through major retail chains and local shops, and any future measures, whether globally or in specific countries, may continue to have a negative effect on these sales channels.

Notwithstanding recent developments with respect to vaccines for COVID-19, given the global scale, severity and duration of the COVID-19 pandemic, its trajectory is difficult to predict. The COVID-19 pandemic is expected to continue to materially and adversely affect the global economy, creating risk around the timing and collectability of UMG's accounts receivable and possibly leading to a decline in consumer discretionary spending which, in turn, could have a negative impact on UMG's results of operations, cash flows and financial position. Stay-at-home and shelter-in-place orders, business closures, travel restrictions, supply chain disruptions, employee illness or quarantines, and other extended periods of interruption to its business have resulted and could continue to result in disruptions to UMG's operations. Any worsening of the COVID-19 pandemic, ineffectiveness of the vaccination efforts or the spread of any new variants of the coronavirus could result in additional material adverse impact on its business, financial condition, results of operations and prospects.

Risk response
UMG's touring and retail merchandise sales were significantly impacted during the COVID-19 pandemic. UMG was able to offset the negative impact of the

COVID-19 pandemic with a significant increase in subscription and streaming revenues and UMG eCommerce business. In 2022, UMG benefited from the return of live income and touring related merchandising revenues (as many markets removed restrictions) in addition to the continued growth in other segments of the business.

In the event that the COVID-19 pandemic and its related effects continue on an extended basis globally, UMG would continue to look for ways to evolve and develop its business in an effort to offset the associated negative effects and avoid a material negative impact to its business.

Cybersecurity

Cyberattacks are an ever-present risk that, could adversely impact UMG's data and operations.

UMG may be subject to cyberattacks, including phishing, malware, and ransomware. While no such attack has had a material adverse effect on its business in the past, there can be no assurance with regard to potential future attacks and UMG's systems may be vulnerable to damage from such attacks.

In addition, UMG collects and processes personal information about its customers and potential customers, employees, artists and vendors. UMG also maintains sensitive confidential business information of itself and, in some cases, counterparties. It holds content covered intellectual property rights including rights in music recordings and compositions, and further including not-yet-released music. UMG relies on both its computer systems and those of service providers for its operations and to manage these kinds of data. No computer system is immune from attacks or other incidents, and UMG's system may be vulnerable to, or may have suffered unknown, security breaches by computer hackers and others that attempt to penetrate or otherwise defeat the security measures that it has in place. A compromise of its security systems that results in the loss or exposure of personal information, confidential information, or content including not-yet-released music and that compromises the integrity of UMG's information, causes UMG's systems to operate in a way that UMG does not intend, or affects the availability of such systems or information for use, may lead to operational disruptions and significant expenditures to address the incident. In addition, any vulnerabilities found in UMG's systems, the loss of competitively sensitive information, theft of funds, reputational harm, litigation and investigations, legal expenses, liability, penalties, or the imposition of ongoing monitoring or audit requirements may also lead to operational disruptions and/or significant expenditures. Any of the foregoing may adversely impact UMG's business, results of operations, financial position and prospects.

Risk response

UMG employs multiple layers of security controls to protect our assets, systems, and employees from malicious cyberattacks and actors. These layers include broad deployment of advanced authentication controls including multi-factor authentication, deprecation of privileged service accounts, active network and system monitoring, centralized logging, and incident response and business continuity planning.

Our Global Security Office (GSO) has created an Insider Threat program to continually review and refine gathered data on internal activity. The program identifies, tracks, and mitigates suspicious internal activity including attempts to exfiltrate data. If an incident is detected UMG deploys a robust cross-functional security incident response team (SIRT) involving members of its security, technology, legal, communications, and risk teams to holistically address the technical and non-technical risks of a security incident.

UMG conducts regular security training including regular phishing training of all employees and a blend of online and in-person training covering general security as well as application and developer security. It has implemented additional non-technical measures including cyber insurance policies, security incident simulations, and audits to mitigate the risks of an adverse cybersecurity event.

Changes in global economic and financial conditions

A decrease in global economic growth, an extended recession, sustained high inflation rates or other periods of declining economic conditions, either globally or in any of the markets in which UMG operates, could adversely affect UMG's results from operations, cash flows and financial conditions.

A significant portion of UMG's revenue relies on consumers spending discretionary funds on leisure activities, such as music subscriptions, CDs, vinyl albums and artist merchandise. The state of the economy, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, unemployment, and the impact of the COVID-19 pandemic are all factors that can influence the prevailing macroeconomic conditions and affect UMG's business. Economic growth and consumer confidence are important for UMG's growth and strategy.

Since early 2022, a number of countries, including most major economies in Europe and North America, have reported high inflation. Concurrently, central banks in such countries have raised or discussed the possibility of raising interest rates in order to fight such inflation. Such increases in interest rates may reduce growth or result in a global or regional recession. Further market volatility may occur as inflation continues to rise and markets respond to the interest rate increases and the cessation of quantitative easing programmes by major central banks. Each of these events may negatively impact discretionary funds available to consumers for leisure activities, and as a result may negatively impact UMG's revenues.

Risk response

UMG benefits from a diverse set of growth drivers, such as DSP penetration growth, social media platforms, health/fitness applications, gaming, and Audio Video. Thus making UMG less dependent on one particular growth driver. Furthermore, music consumption is relatively cheap compared to other forms of media entertainment, generally DSP providers make all content available, thus not requiring multiple subscriptions. In the past music consumption proved to be resilient in macro-economic downturns and so far we have not seen any material impact from the global economic downturn on UMG results (despite lower ad-funded streaming income growth as the advertising industry was impacted by the difficult economic environment).

Geopolitical instability

UMG's results of operations, cash flows and financial condition may be adversely impacted by trends, developments and other events in other countries. Unfavorable conditions can depress revenues in any given market and prompt promotional or other actions that adversely affect our margins.

In February 2022, Russia military forces invaded Ukraine and significant international sanctions against Russia were triggered.

As a response to Russia's actions in Ukraine there has been an unprecedented expansion of sanction programs by the U.S., the UK, the EU, Japan and Canada to name but a few. (i) Blocking sanctions and removal from the "SWIFT" (worldwide Interbank payment system) applied against State Owned and Private Russian Financial Institutions. (ii) Blocking sanctions against Russian & Belarusian Individuals with government connections, and politicians. (iii) Blocking Russia's foreign currency reserves, expansion of sectorial sanctions, access to capital markets, export and trade restrictions and bans on Russian Imports.

The situation continues to evolve and the U.S., the UK, and the EU and other countries may implement additional sanctions against Russia and Belarus. Such additional sanctions and measures in conjunction with those pre-existing could further adversely affect the global economy which could potentially increase UMG's costs and reduce the amount of disposable income available to UMG's customers and therefore could adversely affect UMG's results from operations.

Risk response

On 8 March 2022, UMG announced the suspension of operations and the closing of its offices in Russia, effective immediately. Revenues and EBITDA in Russia and Ukraine in 2021 were not material to UMG's revenues and therefore this suspension only had a minimal impact on the Company. However, the extent and duration of the military action, sanctions and resulting market disruptions could potentially have substantial impact on the global economy.

Music consumption proved to be resilient in macro-economic downturns in the past and so far UMG has not experienced any material impact arising from the effect of the sanctions, consequently any extension of sanctions is perceived as having a minimal impact on UMG's result from operations.

Dependency on information technology systems.

UMG's operations are dependent on its information technology and information systems, and any disruption to the Group's IT system or failures in the Group's IT systems could adversely impact the Group's operations.

The integrity, reliability and operational performance of UMG's information technology (IT) infrastructure and technology network are critical to its operations. UMG relies upon the capacity, reliability, and security of its IT hardware and software infrastructure and its ability to expand and update this infrastructure in response to changing needs.

Certain elements of the IT systems infrastructure on which UMG depends are outsourced to third parties. The services and functions provided by these third parties are critical to the Group's business and include (but are not limited to) storage, data processing and network.

The availability of UMG's IT platforms and other services may be interrupted by damage or disruption to the Group's or the Group's third-party service providers' IT systems, which may be caused by, for example hardware or software defects, human error, unauthorized access, fire, power loss, natural hazards, the impact of war and terrorism, disasters or similarly disruptive events, as well as planned upgrades and improvements which may be subject to developmental delay or fail to be effective.

While UMG has in place business continuity procedures, there can be no assurance that these will be fully successful in preventing all disruptions to the availability of UMG's IT platforms or other services. To the extent the Group outsources its business continuity or disaster recovery operations, it is at risk of the vendor's unresponsiveness in the event of breakdowns in the Group's systems, which could cause delays in recovering service.

Furthermore, performance issues, system interruptions or other failures in the Group's IT systems could expose the Group to potential liability to pay damages as well as reputational harm, additional operating expenses to remediate the IT failures and exposure to other losses or other liabilities, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Risk response
UMG maintains what it considers to be an appropriate level of insurance against some of these risks. UMG's insurance coverage may not cover all of the costs and liabilities it incurs as the result of any such interruptions or failures of its IT systems, and if its business continuity and/or disaster recovery plans do not effectively and timely resolve issues resulting from a disruption UMG may suffer material adverse effects on its business.

Financial risks

Access to and cost of financing
Risks related to access to and cost of financing are assessed based on the Group's capacity in the coming twelve months to have ready access to cash and cash equivalents and available confirmed credit facilities and to generate sufficient cash flows and proceeds from sales to cover debt repayments, dividend payouts and financial commitments.

Risk response
UMG has access to a €2 billion confirmed syndicated financing package (RCF) which provides the necessary funds to cover the Group's financial requirements. A €1 billion term loan was repaid by UMG following the successful Issuance of 2 bonds rated BBB/Baa1 for a total amount of €1 billion. UMG average debt maturity is 4 years.

Currency fluctuations
Unfavorable currency exchange rate fluctuations could adversely affect UMG's results of operations.

A significant portion of UMG's assets, liabilities, revenues and costs are denominated in currencies other than Euros, in particular U.S. Dollars.
To prepare UMG's Financial Statements, UMG must translate those assets, liabilities, revenues and expenses into Euros from such currencies at then-applicable exchange rates. Consequently, increases and decreases in the value of the Euro as compared to such other currencies will affect the amount of these items in the UMG Financial Statements, even if their value has not changed in their original currency. These translations could result in significant changes to its results of operations from period to period. In addition, exchange rate

fluctuations could cause expenses to increase as a percentage of net sales, affecting profitability and cash flows.

Risk response

From time to time, UMG enters into foreign exchange contracts to hedge the risk of unfavorable foreign currency exchange rate movements. UMG seeks to hedge currency transaction risks by offsetting opposing cash flows (natural hedging) and using derivative hedges.

Changes in tax laws

Changes in tax laws or challenges to the Group's tax position could adversely affect the Group's results of operations and financial condition.

Given the international footprint of the Group's operations globally, the Group is subject to tax laws and regulations in more than 60 countries where it operates. Adverse developments in applicable tax laws or regulations, or any change in the position by the relevant tax authorities or tax courts regarding the application, administration or interpretation of any applicable tax laws or regulations, could subject the Group to additional or increased tax payments, and in turn have a material adverse effect on the Group's business, financial condition and results of operations. If the Group's tax positions are challenged by tax authorities, the potential imposition of additional or increased taxes could require the Group to pay taxes that the Group currently does not collect or pay or increase the costs of the Group's services to track and collect such taxes, which could in turn increase the Group's costs of operations or the Group's effective tax rate and have a negative effect on the Group's business, financial condition and results of operations

Moreover, any change in the tax law, such as an increase of tax rate or a change in determination of tax basis, could have a material adverse impact. Given the international nature of the Group's operations, the Group may be particularly impacted by changes to regulations relating to transfer pricing and withholding taxes on the repatriation of funds.

Risk response

The Tax Policy supervised and approved by the Audit Committee states that UMG has a very low tolerance to tax risk. The application of this guidance alleviates the potential adverse impact of any change either in the application, administration or interpretation by tax administration or tax courts. Moreover, as position taken either for transactions, compliance and accounting purposes are conservative any change in tax rates or tax basis might be mitigated.

Therefore, the Group's tax procedures follow this governance and there is a process in place to implement and monitor compliance with them. These procedures comply with tax rules in countries where UMG operates as well as with requirements enacted by supra-national organizations, such as OECD and the European Union. These procedures are updated each time it is needed in order to incorporate any change of tax law or tax regulation impacting UMG. The Group Tax Department and finance teams are in charge of establishing, maintaining and overseeing these policies. The aim is to file all the required tax-relevant returns with the appropriate Tax Authorities in a correct, timely and complete manner. To ensure this happens, (tax) compliance & reporting processes are monitored through the Tax Risk and Control Framework which sets out the controls established to assess and monitor tax risk for direct and indirect taxes (e.g., corporate income tax, transfer pricing, VAT, wage tax and tax accounting).

The Group Tax Department monitors proposed changes in taxation legislation and ensures these are taken into account when considering the operations and compliance. For this purpose, the Group Tax Department employs qualified tax professionals who follow carefully any change in tax law or tax regulations, with the assistance of qualified and reputable external advisors with requisite qualifications and reputation.

Laws and regulations

Loss of intellectual property rights

The success of UMG's business depends on its ability to obtain, maintain, protect and enforce its trademarks, copyrights and other intellectual property rights around the world.

UMG's intellectual property rights, as well as its ability to enforce its intellectual property rights depend on the laws and regulations of the many jurisdictions in which it conducts business, which are not consistent across jurisdictions. An inability to obtain, maintain, protect or enforce its intellectual property rights could harm UMG's brand or brand recognition and adversely affect its business, prospects, financial condition and results of operations.

In addition, if UMG is alleged to have infringed, misappropriated or otherwise violated the intellectual property rights of a third party (even where such claims are without merit), any litigation to defend the claim could be costly and would divert the time and resources of management, regardless of the merits of the claim and whether the claim is settled out of court or determined in its favor.

There can be no assurance that UMG would prevail in any such litigation. If UMG were to lose a litigation relating to intellectual property, in addition to the potential reputational damage, it could be forced to pay monetary damages, to obtain a license, or to cease using certain intellectual property or technologies.

Additionally, artists signed by UMG may seek to challenge and dispute the scope or term of intellectual property rights under their contracts entered into with UMG, including potential disputes as to the application and effect of technological developments and new formats to access music.

Any of the foregoing may cause UMG to suffer economic loss and reputational damage, which would adversely affect UMG's business, results of operations, financial condition and prospects.

Risk response

In order to obtain, maintain, protect and enforce its intellectual property rights, UMG takes a variety of measures, including maintaining a staff of senior intellectual property and litigation lawyers, engaging lawyers in different jurisdictions covering different fields of law and if necessary, conducting litigation or proceedings before courts, governmental authorities or administrative bodies.

Data Protection Compliance

UMG's business is subject to a variety of European, U.S. and other supranational and domestic laws, rules, policies and other obligations regarding data protection.

UMG is subject to laws, regulations, rules, and other obligations governing data protection in jurisdictions around the world. These laws impose restrictions on the way UMG and its counterparties may collect, use, retain, secure, disclose, and transfer data. These laws may shape, for example, how UMG engages in eCommerce transactions or other transactions with consumers; how it operates its online properties; how UMG engages in direct and behavioral advertising, email marketing, mobile marketing, and social media activities; and UMG's internal operations in areas such as employment and how it transfers data among its subsidiaries. Further, UMG makes statements about its use and disclosure of data through its privacy policies, information on its websites and press statements. UMG may also have contractual obligations regarding the use of data with its counterparties.

Data protection compliance is the subject of intense media, political, and regulatory scrutiny. Several jurisdictions in which UMG is active have recently passed laws in these areas, and other jurisdictions are considering imposing additional restrictions. These laws, and the ways in which authorities interpret and enforce them, continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing requirements may cause UMG to incur substantial costs, change its business practices, modify its product and service offerings, and forego other business opportunities.

For example, UMG is subject to extensive European regulations on privacy, information security and data protection, the main and most relevant of which relate to the collection, protection and use of personal and business data, including Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation - the "GDPR"), the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications), the UK GDPR (the retained EU law version of the GDPR) and the United Kingdom's Data Protection Act 2018, and national laws implementing each of them.

The GDPR, which has applied since May 25, 2018, is directly applicable in all member states of the European Economic Area (the "Member States"). The GDPR has increased both the number, and restrictive nature, of the obligations binding on UMG for the collection, storage and processing of personal data. In particular, the GDPR establishes a tiered approach to penalties for breach, which enables the relevant authorities to impose fines for some infringements of up to €20 million, or 4% of annual worldwide turnover.

In the United States, UMG is subject to overlapping federal and state laws governing privacy, data protection and security. For example, state data breach notification laws or consumer protection laws generally mandate the rules that must be followed in the event of the unauthorized disclosure of personal information. One of the most significant state privacy laws, the California Consumer Privacy Act, as amended by the California Privacy Rights Act, establishes actionable rights for stipulated parties relating to data handled by covered entities such as UMG, as well as obligations on covered entities relating to privacy disclosures, data handling, and more. Other states including Virginia, Colorado, Utah, and Connecticut have implemented laws generally similar to the CCPA. UMG is also subject to regulatory authorities, such as the Federal Trade Commission ("FTC"), and self-regulatory requirements, such as the Payment Card Industry Data Security Standard ("PCI DSS") and Swift Customer Security Programme ("Swift CSP"). The FTC is authorized to enforce prohibitions on "unfair or deceptive acts or practices," to include a company's violations of its own privacy policies or commitments, or security or privacy practices that the FTC deems fundamentally "unfair". The PCI DSS are a set of payment-related data security requirements the violation of which can result in fines or restrictions on the ability to process transactions. Generally distinct from state privacy laws, some state laws also impose separate requirements regarding the handling of payment card information.

Additionally, any perceived or actual failure by UMG, including its third-party service providers, to protect confidential data or any material noncompliance with data protection laws could cause customers to lose trust in UMG, reduce UMG's ability to attract and retain customers, artists and other business relationships and counterparties and result in litigation or other actions being brought against UMG. Lastly, if third parties that UMG works with, such as UMG's suppliers, violate applicable laws or UMG's policies, such violations may also put UMG data at risk and could in turn have an adverse impact on UMG's business, prospects, financial condition and results of operations.

Noncompliance, or even allegations of noncompliance, with these laws or UMG's public statements or contracts in these areas, could lead government entities, supervisory authorities or private actors to institute investigations into or proceedings against UMG. These investigations or proceedings may entail legal costs and reputational harm, and if defense of such proceedings is unsuccessful even in part, UMG may face significant penalties, liability, or ongoing monitoring or audit requirements.

Risk response

UMG maintains a comprehensive data protection compliance program and personnel dedicated to managing data protection risk. UMG's data protection teams partner with legal, technology, and business personnel throughout the organization to identify and mitigate data protection compliance risks.

Recent data protection compliance initiatives include updates or improvements to privacy disclosures, policies and procedures, data subject rights processes, employee training, data governance, cross-border data transfer agreements, supplier contract terms, internal audit procedures, and incident response processes.

To manage increasing complexity, UMG strives to streamline compliance through a global approach to data protection. This approach improves the efficiency of compliance efforts and reflects the global interconnected nature of UMG's artists, fans, and business operations.

Governmental and regulatory challenges

A significant portion of UMG's revenues are subject to regulation either by government entities or by local third-party collecting societies throughout the world and rates on other income streams may be set by governmental proceedings or be subject to legislative intervention, which may limit its profitability.

Mechanical royalties and performance royalties (on both physical and digital sales) are two of the main sources of income for UMG's music publishing business, accounting for under 14% of UMG's revenue in 2022, and mechanical royalties are an expense for its recorded music business, representing 0.7% of UMG's revenue in 2022. In the United States, compulsory mechanical royalty rates are set every five years pursuant to an administrative process under the U.S. Copyright Act, unless rates are determined through industry negotiations, and performance royalty rates are determined by negotiations by performing rights organizations, which in the U.S. include American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI) and the Society of European Stage Authors and Composers (SESAC). ASCAP and BMI are subject to a consent decree rate-setting process if negotiations are unsuccessful.

The Antitrust Division of the U.S. Department of Justice (the DOJ) has previously reviewed its consent decrees with ASCAP and BMI and, while in January 2021, the DOJ announced that it would take no further action to modify or terminate such decrees, there is no guarantee that the DOJ will not choose to review such decrees in the future. Changes to the mechanical royalty rate, the performance royalty rates or consent decrees governing the U.S. performing rights organizations could potentially impact the profitability of UMG's music publishing business.

Outside of the United States, mechanical rates are typically negotiated on an industry-wide basis (or for multi-territorial online licensing, on a repertoire-specific basis but still necessarily in partnership with collecting societies as rights holders) and may be subject to mandatory collecting regimes. In most territories outside the United States, mechanical royalties are based on a percentage of wholesale prices for physical products and based on a percentage of consumer prices for digital formats. Performance royalty rates are typically negotiated between the collecting society and the individual licensee. The mechanical and performance royalty rates set pursuant to such processes may adversely affect UMG by limiting its ability to increase the profitability of its music publishing and/or recorded music businesses.

The performance royalty rates received by UMG's recorded music business in the United States for webcasting and satellite radio are set every five years by an administrative process under the U.S. Copyright Act unless rates are determined through industry negotiations. In most jurisdictions outside the United States, UMG's recorded music business receives payment for the public performance and broadcast of its sound recordings via collecting societies, with rates generally set by industry agreement or rate setting tribunal. In certain jurisdictions, governments either have, are proposing or face certain pressure to introduce legislation which may introduce and/or extend mandatory collective licensing and direct remuneration claims for certain rights, such as (but not limited to) the introduction of an additional remuneration right for performers for the so-called "making available" of sound recordings on digital services.

As revenues continue to shift from physical to diversified distribution channels, it is important that UMG receives fair value for all of the uses of its intellectual property as its business model now depends upon multiple revenue streams from multiple sources. To the extent that the rates set for recorded music and music publishing income sources through collecting societies or legally prescribed rate-setting processes are set at levels which are not favorable or economically viable for UMG, this could have an adverse impact on its business, prospects, financial condition and results of operations.

Risk response

The diversified nature of UMG's business between types of sources of income and geographies mitigates the impact to UMG in case any individual country were to implement laws that could adversely affect the income that flows to UMG.

The rate setting process by the Copyright Royalty Board (CRB) in the United States was recently concluded to fix mechanical royalty rates for the next five years, and the result was the most favorable to the Music Publishing community ever.

Changes in laws and regulations

Changes in laws and regulations, including those relating to intellectual property rights, and lawsuits that UMG is already, or which it could become involved, may have an adverse effect on UMG's business.

UMG's business is subject to a variety of laws and regulations in jurisdictions around the world, including those relating to intellectual property, content regulation, consumer protection, antitrust and competition, among others. In addition, various governments currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters that could directly or indirectly affect UMG's business and operations, the ownership of UMG's content assets or UMG's ability to maintain, protect or enforce its intellectual property rights. Furthermore, laws in various jurisdictions differ from each other in significant respects, and the enforcement of such laws can be inconsistent and unpredictable. This could impact UMG's ability to operate its business in various jurisdictions and undertake activities that UMG believes is beneficial to its business. For example:

- The European Union (EU) adopted the Directive on Copyright in the Digital Single Market (the Copyright Directive) in 2019 to modernize EU copyright rules. The Copyright Directive includes a number of relevant provisions, including Article 17, which clarifies the EU copyright safe harbor requiring Online Content Sharing Service Providers (OCSSPs or online platforms that host user-generated content) to employ "effective and proportionate" measures to prevent unauthorized use of copyrighted materials. The EU's Member States must implement the Copyright Directive via enactment of domestic legislation. While some Member States (such as France, The Netherlands, Hungary, Denmark and Malta, among others) are implementing the Copyright Directive's Article 17 faithfully to the legislative intent, other Member States are considering (and, in the case of Germany, Austria and Belgium, have implemented) legislation that differs significantly from the Copyright Directive in letter and spirit – and which would not only undo the benefit of Article 17 but also potentially disrupt existing licensing models. Several national implementations may need to be amended following a recent European Court of Justice decision, while other jurisdictions are still in the process of transposing the Copyright Directive into domestic legislation. It therefore remains unclear how Article 17 of the Copyright Directive will be applied in the different Member States.

UMG could also be adversely affected by changes in interpretation of existing laws by courts and regulators. For example, a bill had been introduced in California that would amend California Labor Code Section 2855 (Section 2855) such that UMG's ability to recover damages from certain artists that fail to deliver on their contractually promised recordings after more than seven years may be hindered. While that proposed legislation did not become law, similar measures could be introduced in the future. Similarly changes in the area of copyright law, in particular, could directly or indirectly affect UMG's operations, the ownership of UMG's content assets or UMG's ability to maintain, protect or enforce its intellectual property rights.

In addition, UMG is currently involved in and could become involved in a number of lawsuits, disputes or investigations initiated by consumers, business partners, competitors, artists, governmental entities, tax authorities and third parties. Such lawsuits, disputes or investigations may relate to, *inter alia*, copyright infringement, contractual disputes, employment disputes, antitrust and tax disputes. For example, on February 5, 2019, a purported class action lawsuit was filed against UMG Recordings, Inc. on behalf of a putative class of all recording artists who had requested the termination of purported grants of U.S. copyrights to UMG pursuant to Section 203 of the U.S. Copyright Act; on May 13, 2021, individual and putative class action claims were filed against UMG Recordings, Inc. in the U.S. District Court for the Central District of California for breach of contract and fraud; and on January 4, 2023, individual and putative class action claims were filed against UMG Recordings, Inc. for breach of contract, breach of the duty of good faith and fair dealing, and unjust enrichment.

Litigation and proceedings before courts or governmental authorities, whether or not UMG is involved in such proceedings, may serve as precedents that could adversely affect UMG's operations, ownership of content assets or intellectual property rights. UMG could incur substantial costs to comply with new or modified laws and regulations or substantial penalties or other liabilities if it fails to comply. UMG could also be required by such laws to change or limit certain of its business practices, which could impact its ability to generate revenues.

Any of the foregoing may adversely impact UMG's business, prospects, financial condition and results of operations. See Note 25 "Litigation" in the Notes to the Consolidated Financial Statements for additional information on legal proceedings.

Risk Response

UMG has a structure to oversee the company's compliance with all relevant laws and changes in laws, and the company also works through lobbying (both directly and through trade associations) to influence any changes so that they do not negatively affect the business or broader music industry and its key stakeholders. In addition, UMG maintains a staff of senior litigation lawyers and may engage external lawyers to assist with lawsuits, investigations and disputes. To the extent that changes in laws are the result of litigation, UMG has a program of strategic litigation, both at the trade association and direct level, to help build good precedents and avoid bad ones.

BOARD REPORT
NON-FINANCIAL INFORMATION

NON-FINANCIAL PERFORMANCE

ESG Strategy

AT UMG, WE ARE COMMITTED TO SUSTAINABILITY NOT ONLY IN OUR BUSINESS AND ACROSS OUR INDUSTRY, BUT ALSO IN CHANNELING THE COLLECTIVE PASSION AND COMMITMENT OF OUR EMPLOYEES, ARTISTS, AND FANS TO PROTECT THE PLANET AND CREATE AN EQUITABLE FUTURE FOR GENERATIONS TO COME.

Our environment, social, and governance (ESG) approach is anchored in data integrity and transparency, with a focus on the issues of material importance to our stakeholders. Our dedicated ESG function integrates sustainability across the company by executing a comprehensive ESG management system, convening cross-functional working groups, leading sustainability education and engagement efforts, and supporting independent action.

Our ESG framework is organized into three core areas underpinning our current initiatives and reporting efforts:

ENVIRONMENT

ADVANCING CLIMATE ACTION ACROSS THE INDUSTRY

SOCIAL

EMPOWERING OUR PEOPLE AND COMMUNITIES THROUGH CULTURE AND CREATIVITY

GOVERNANCE

DRIVING ACCOUNTABILITY, TRANSPARENCY, AND RISK MANAGEMENT THROUGH RESPONSIBLE GOVERNANCE

Key 2022 Accomplishments and 2023 Priorities

UMG's evolving ESG strategy resonates with current social and environmental issues, keeping pace with industry best practice and societal expectations around sustainability and inclusion. In 2022, we invested time and resources into expanding our internal ESG activities and building out the infrastructure to support robust company-wide engagement. We focused on fine-tuning our strategic framework and management system in an effort to strengthen our commitments and assure concordance with prevailing ESG disclosure frameworks. Key accomplishments included:

- **Materiality Assessment**: We updated our ESG Materiality Assessment to align our impact areas, resources, and KPIs with stakeholder expectations, our enterprise risk management processes, and the strategic positioning of our business.

- **Task Force on Climate Related Financial Disclosures (TCFD) Adoption & Scenario Analysis:** We conducted our first TCFD Scenario Analysis to provide a qualitative review of potential climate-related risks, inform strategic planning, and enhance our transparency with respect to climate risk disclosures. Due to the nature of our business, the analysis revealed that there are no climate-related risks resulting in High or Critical impact to UMG's operations across the evaluated scenarios and time horizons (see our TCFD disclosure).

- **Greenhouse Gas (GHG) Management Plan:** We expanded our GHG reporting efforts to account for physical supply chain impacts and completed a comprehensive GHG Inventory in preparation for our science-based target validation in 2023.

- **Strategy Execution:** We continued to mobilize sustainability working groups across different business functions and execute programming to operationalize our commitments.

- **Supplier Engagement:** We continued to engage with our physical and digital supply chain partners to obtain ESG data and develop collaborative industry partnerships.

- **Task Force for Meaningful Change (TFMC) Impact Report:** We released our first TFMC Global Impact Report – highlighting the Task Force's key initiatives in the ongoing fight for equality, justice, and inclusion.

Our progress in 2022 was driven by our commitment to rigorous measurement and reporting. In a time when society's expectations of companies have never been higher, we strive to communicate openly and honestly about our sustainability performance and align our efforts with leading international frameworks.

UMG's 2022 reporting complies with the Non-Financial Reporting Directive (NFRD) and EU Taxonomy requirements. Our work aligns with various frameworks and standards, including TCFD, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Carbon Disclosure Project (CDP). Additionally, we map our initiatives to the United Nations Sustainable Development Goals (UN SDGs).

As we look ahead to the coming year, we will continue to strengthen our non-financial public disclosure process. We have an opportunity – and a responsibility – to leverage the power of music to drive meaningful change, and we will remain steadfast in our mission to amplify the issues that matter most to our people, artists, and fans. Key commitments include:

- **Transition from the NFRD to the Corporate Sustainability Reporting Directive (CSRD):** We will begin implementation of the European Union's CSRD.
- **Science-Based Target Validation:** We will submit our science-based target to the Science Based Targets initiative (SBTi) for validation.
- **Environmental and Working Group Policies**: We will roll out a global environmental policy and build a sustainability charter and supporting policies for each of our working groups to provide a formalized framework for future objectives and actions.
- **Supply Chain Survey:** We will embed policies and practices around GHG management, energy use, and human rights into the procurement process alongside a formalized sustainability survey.
- **Music Industry Climate Collective (MICC):** We will collaborate with our peers via the new MICC to develop a standardized methodology for measuring GHG emissions across the industry.

Home to groundbreaking talent and a future-minded workforce, we will persist on our journey to become a more environmentally sustainable, inclusive, and ethical company.

MAIN MATERIAL TOPICS

2022 Materiality Assessment

Approach

In 2022, UMG conducted a comprehensive ESG Materiality Assessment to identify our most significant environmental, social, and governance topics. The exercise refreshed findings from our 2018 Risk & Materiality Assessment and will serve to inform ongoing developments to our ESG strategy, KPIs, and goals.

We engaged third-party experts to support the assessment's stakeholder engagement efforts and ensure an objective approach to measurement and analysis activities. Guided by the Global Reporting Initiative (GRI) methodology and industry best practice, the exercise was conducted via a four-step process:

1. **Topic Identification:** We drafted a comprehensive list of ESG topics to evaluate, informed by international reporting standards, desktop research, and an internal review. Topics were mapped to ESG reporting frameworks and ratings criteria.

2. **Topic Prioritization:** We prioritized and streamlined the topics based on interviews with UMG management and research, including peer benchmarking, media analysis, and investor requests.

3. **Material Topic Validation:** We validated our material topic list via a series of stakeholder workshops, including interviews with subject matter experts and UMG employees representing a cross-section of business operations, including:

    - Bravado
    - Business & Legal Affairs
    - Corporate Executives
    - Digital Operations
    - Global Communications
    - Global Compliance
    - Global Ecommerce & Business Development
    - Global Finance
    - Global Information Security
    - Global Royalties Revenue Optimization
    - Global Technology
    - Internal Audit
    - People, Inclusion & Culture
    - Privacy
    - Public Policy & Government Affairs
    - Studios
    - Universal Music Logistics
    - Universal Music Publishing Group

4. **ESG Strategy Integration:** We synthesized, consolidated, and internally socialized the results of the Materiality Assessment to inform our ESG activities and reporting efforts moving forward.

Materiality Matrix

Topics were evaluated based on their importance to business, referring to risks and opportunities for business performance, as well as their importance to stakeholders, referring to expectations and interests of business stakeholders. Potential impacts of each topic were considered across the broader economy, environment, and society at large.

Out of our initial list of 53 topics, we identified 7 topics of the highest importance, considered UMG's most material topics. These include one environmental topic, three social topics, and three governance topics – as illustrated in our Materiality Matrix.

Material Topics

Material Topic	Description
Environmental Topic	**Greenhouse Gas (GHG) Emissions** Given the potential for regulatory disclosure and oversight in Europe and the U.S., the management of our Scope 1, 2, and 3 GHG emissions is critical for ensuring environmental compliance, managing our reputational risks, and identifying innovation opportunities. This topic impacts our direct operations as well as stakeholders across our value chain, particularly suppliers who contribute to our Scope 3 footprint.
Social Topics	**Attraction and Retention of Artists** Artists are at the core of UMG's business. Our traditional full-service A&R approach, portfolio of world-renowned labels, diversity of genres, and robust content and copyright protection measures will continue to drive long-term value for our artists and increase their commercial success, consumer base, and longevity potential. However, increasing compensation and emerging shorter-term deal structures may impact our long-term assessments. This topic impacts our direct operations as well as stakeholders across our value chain, especially our artists, fans, and the creative community. This topic is also considered in the Risk and Risk Management section of this report. **Attraction and Retention of Employees** UMG is powered by the talents of our people. The management and advancement of employee wellbeing, development, compensation and benefits, and engagement strengthen our workforce by attracting and retaining top talent at all levels. This topic impacts our direct operations as well as stakeholders across our value chain, particularly our employee base as well as the communities in which we operate. This topic is also considered in the Risk and Risk Management section of this report. **Diversity, Equity and Inclusion** Cultivating work environments that are welcoming, inclusive, free of discrimination, and promote a diversity of perspectives and backgrounds increases our resilience as a company as well as the creativity behind our products and services. This topic impacts our direct operations as well as stakeholders across our value chain and is closely tied to the attraction and retention of artists and employees.
Governance Topics	**Privacy and Cybersecurity** UMG's business is subject to a variety of European, U.S., and other supranational and domestic laws, rules, and policies regarding privacy and cybersecurity. The protection of sensitive, confidential, and proprietary company and customer data is essential for upholding stakeholder trust, managing regulatory requirements, and maintaining competitive advantages. This topic impacts our direct operations as well as stakeholders across our value chain, particularly our Privacy and Global Security teams and third-party technology providers. This topic is also considered in the Risk and Risk Management section of this report. **Piracy and Content Protection** Security of content against piracy or theft is a key focus of our business. New forms of piracy continue to evolve, reflecting changing technology and market conditions. This topic impacts our direct operations and various stakeholders across our value chain, especially our Business & Legal Affairs team. This topic is also considered in the Risk and Risk Management section of this report. **Supply Chain Management** Oversight and active management of our supply chain allows us to more effectively control our Scope 3 GHG emissions more efficiently and adhere to regulatory requirements, as well as promote product innovation, human rights, diversity, and local economies. This topic impacts our direct operations as well as stakeholders across our value chain, especially our global supplier networks.

The table below illustrates changes to our material topic list resulting from the 2022 Assessment.

Category	2022 Material Topic List	2021 Material Topic List
Environmental	GHG Emissions	Environmental Intensity of Activities
Social	Attraction and Retention of Artists Attraction and Retention of Employees Diversity, Equity, and Inclusion	Attraction and Retention of Artists Attraction and Retention of Employees
Governance	Privacy and Cybersecurity Piracy and Content Protection Supply Chain Management	Privacy and Data Security Responsible Content

Reporting on Material Topics

Our 2022 ESG Materiality Assessment surfaced the topics most material to UMG, as defined by our stakeholders, subject matter experts, and business operations leads. Our coordinated non-financial reporting system, overseen by UMG's central ESG department and powered by a network of contributors representing the territories in which we operate, serves to measure the impacts of and evaluate UMG's approach to managing our most material topics. The subsequent sections of this report highlight UMG's guiding ambitions within each topic area and describe the effectiveness of actions linked to our strategic commitments.

As we open 2023, UMG will begin to incorporate the requirements of the EU's CSRD, including a double materiality assessment inclusive of impact and financial materiality aspects.

ESG COMMITMENTS

ENVIRONMENT

UMG is committed to advancing climate action across the recorded music industry. Our efforts to combat climate change start with rigorous measurement and reporting systems, which in turn allow us to set targets, measure progress, and ensure continuous improvement of our environmental performance across our value chain.

This year, in collaboration with our leaders and employees worldwide, we deepened our commitment to study and report on our impact, conducting the most comprehensive analysis of GHG emissions for any major recorded music company to date.

This undertaking was not without its challenges and imperfections, one being the lack of established definitions and standards within our sector. In some cases, given the uniqueness of our products, we developed our own criteria under the guidance of our experts. From here, we aim to develop a meaningful carbon reduction and removal program in 2023.

Scope Category	2022 GHG Emissions (tCO_2e)	% of Total GHG Emissions (market-based)
Scope 1	**2,404**	**1%**
Scope 2 (location-based)	**8,721**	**-**
Scope 2 (market-based)	**6,633**	**2%**
Scope 3	**349,753**	**97%**
Purchased goods and services	249,293	69%
Capital goods	2,641	1%
Fuel- and energy-related activities	3,821	1%
Upstream transportation and distribution	43,678	12%
Waste generated in operations	388	<1%
Business travel	35,457	10%
Employee commuting	11,511	3%
End-of-life treatment of sold products	2,964	1%

In addition to measuring and mitigating our environmental impact, we are committed to using our influence to accelerate environmental solutions and raise public awareness about climate issues. We empower our employees to create sustainable change from within, support our artists in speaking up about climate issues, and strive to communicate openly and honestly with music lovers around the world about the environmental impacts of the recorded music industry.

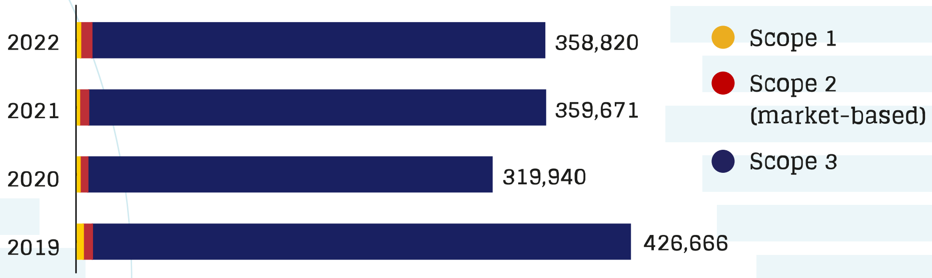
Managing Our Footprint

GHG EMISSIONS MEASUREMENT & REPORTING

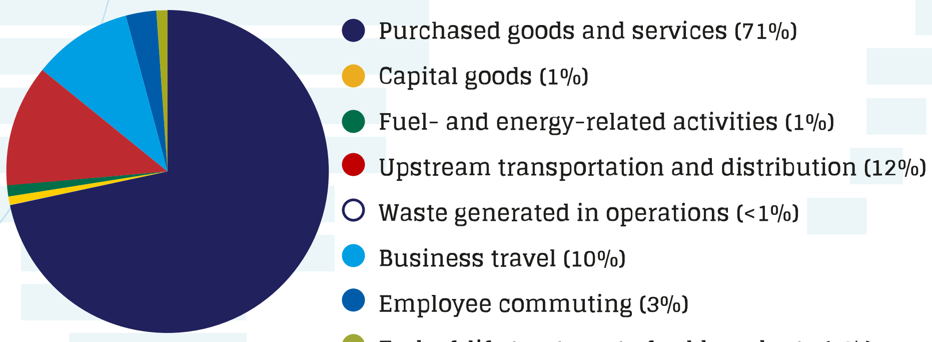
Our GHG inventory is calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard and includes Scope 1, 2, and 3 emissions. This year, we expanded our Scope 3 inventory to include a comprehensive analysis of our most relevant emissions sources. The analysis was completed for four years, beginning with the last full pre-pandemic year (2019) in order to establish our baseline and allow for meaningful comparisons over time.

In addition to enhancing our Scope 3 reporting efforts, we developed a comprehensive GHG Management Plan in preparation for our science-based target validation. Our GHG Management Plan provides a framework by which we will measure the performance and effectiveness of our climate-related risk management efforts in the near- and long-terms.

GREENHOUSE GAS EMISSIONS 2019-2022 (in tCO_2e)



2022 SCOPE 3 EMISSIONS BY CATEGORY[1]



[1] UMG's 2022 Scope 3 emissions are 349,753 tCO_2e, which is broken down by Scope 3 category along with each category's percentage of total Scope 3 emissions.

Scope 3 categories were calculated based on the Greenhouse Gas Protocol, their relevance to UMG, materiality, and data availability. Please see "Non-Financial Reporting Methodology" in this report for more information.

Science-Based Targets

The Science Based Targets initiative (SBTi) calls on companies to establish low-carbon pathways in alignment with the goals of the Paris Agreement - to limit the rise in global temperatures to below 1.5ºC by 2100. UMG has committed to submitting a carbon reduction target for SBTi validation in 2023.

UMG will continue to prioritize environmental data collection and quality assurance efforts – both as a business and as a part of the entertainment industry. In particular, we are committed to working with our peers to better understand the environmental impact of our products and the recorded music lifecycle, using quantifiable data to inform responsibility allocations and reduction measures as the music distribution landscape evolves.

GHG EMISSIONS REDUCTION

As we continue to refine our measurement processes, we will remain steadfast on our journey to mitigate emissions – both within our direct operations and across our value chain.

To reduce our Scope 1 and 2 footprint, UMG prioritizes the procurement of renewable energy for our offices and facilities.

‘ACROSS OUR GLOBAL PORTFOLIO, 46% OF OUR DIRECT OPERATIONS (BY M² AREA) ARE POWERED BY ELECTRICITY FROM RENEWABLE SOURCES, INCLUDING OUR SANTA MONICA HEADQUARTERS AND STUDIOS, OUR LONDON HEADQUARTERS, AND ABBEY ROAD STUDIOS.’

To support Scope 3 emissions mitigation, our Travel Task Force has developed a series of sustainability programs to increase personal agency and awareness across our employee base. UMG’s new travel booking platform enables employees to view the carbon impacts of their airfare, hotel, and car hire options during the booking process – helping them understand how their business travel affects UMG’s environmental footprint while encouraging the selection of low-carbon travel options.

Regional Spotlight: Universal Music UK (UM UK)

UMG businesses around the globe are doing their part to reduce the GHG footprint of company operations, and we consider local initiatives to be important markers from which we will continue to build our priorities. In 2022, UM UK implemented a number of carbon reduction programs, including:

- Business Travel Reduction: 2022 travel budgets were set at 60% of 2019 budgets to decrease emissions associated with business travel.
- Green Facilities: Our 4 Pancras Square building in London, a certified BREEAM Outstanding building, continued to serve as the region's primary office. 2022 operations at this location and at Abbey Road Studios were powered by 100% renewable electricity.
- Shipment Optimization: Physical product parcels were consolidated with stock from multiple labels to reduce the shipping footprint from warehouse to retail.
- Low-Carbon Commuting: Biking to the office was encouraged through a "Cycle to Work" campaign, which featured information about plotting safe bike routes and accessing the secure bike park and showers.
- Green Transportation: A levy was paid on employee car service journeys to support the taxi provider's emissions reduction plan and zero emissions fleet commitment.

Reimagining Our Products & Packaging

We are committed to understanding the full lifecycle impacts of our products and packaging, and to pursuing material and design innovations that enhance their sustainability features.

SUSTAINABLE MATERIALS

Physical products, including vinyl, CD/DVDs, and merchandise, remain a core element of UMG's business. UMG's global physical operations teams, labels, and supply chain partners work together to develop and roll out increasingly sustainable physical audio offerings for artists and their fans including recycled vinyl, board-based CD packages, plastic overwrap alternatives, and plant-based closure stickers.

'OVER 600,000 UNITS OF BILLIE EILISH'S "HAPPIER THAN EVER" WERE PRODUCED ON RECYCLED VINYL. IN ADDITION, WE PRODUCED NEARLY 10 MILLION UNITS INCORPORATING AT LEAST 15% RECYCLED COMPOUND AND 74% OF OUR TOP 10 INTERNATIONAL RELEASES WERE PRODUCED ON 140G INSTEAD OF THE HEAVIER 180G VINYL DISCS.'

In 2022, we saw Bravado, our global merchandising arm, expand its partnerships with numerous upcycling organizations to create a sustainable apparel catalog for artist campaigns. The catalog features clothing made with recycled materials, certified organic cotton, and direct-to-garment printing. Bravado also continues to offer sustainable merchandise across its retail footprint. Its London flagship store, RS No. 9 Carnaby, incorporates recycled and organic fibers into 50% of all new products.

In addition to sustainable apparel initiatives, Bravado remains committed to a front-line eco-packaging program. Bravado's direct-to-consumer products are currently packaged using compostable bags, cartons made from recyclable paper, and 100% recycled-content mailers.

Artist Collaborations

Bravado, in collaboration with Billie Eilish, Lorde, the 1975, and Shawn Mendes, released a series of sustainable merchandise collections to raise awareness about climate action. Utilizing materials ranging from 100% reclaimed cotton waste to organic and recycled fiber blends, collection campaigns feature educational components around sustainable apparel as well as opportunities for fans to upcycle their unwanted garments.

PRODUCT LIFECYCLE

In tandem with our sustainable material initiatives, UMG implements circular processes and manufacturing innovations to reduce the waste footprint of our physical products.

On a global level, we are committed to diverting 100% of physical music scrap from landfills and have established partnerships with Debrand to support the reuse, repurposing, and recycling of vinyl and optical discs. With a focus on the customer-use and end-of-life phases of the product lifecycle, UMG Australia is currently engaging with the Australian Recording Industry (ARIA)

Board to highlight the need for a collective recycling initiative across all music companies and media disc retailers.

To reduce the waste footprint of UMG merchandise, in 2022 Bravado adopted a policy allowing photo approvals for most product sampling, eliminating the need to ship samples. This serves to reduce excess physical waste from the manufacturing process as well as carbon emissions associated with sample transportation. The integration of Print-On-Demand (POD) systems, through which products are printed as they are ordered, also mitigates manufacturing waste. Additionally, Bravado has fostered multi-year partnerships with textile recycling organizations across the globe.

‘SINCE 2019, BRAVADO’S TEXTILE RECYCLING PARTNERS HAVE DIVERTED OVER 320,000 POUNDS OF PRODUCT FROM THE LANDFILL VIA FIBER RECLAMATION AND MATERIAL-SPECIFIC RECYCLING.’

Driving Industry Transformation

INDUSTRY LEADERSHIP

UMG’s commitment to combat the climate crisis is anchored by strong external partnerships and peer collaboration. As a founding member of the new Music Industry Climate Collective (MICC), in 2023 we will work with Sony Music and Warner Music to develop GHG Sectoral Guidance that will serve as the industry standard for Scope 3 emissions reporting.

Our collaboration with MICC is an evolution of our continued participation in the Music Climate Pact, an industry collaborative aiming to transform the global recorded music industry by reducing emissions across our value chains, empowering employees to create meaningful change from within, supporting artists in speaking up about climate issues, and communicating openly and honestly with music lovers around the world about our environmental impacts.

Billie Eilish x Overheated

We support our artists as they advocate for environmental causes and promote awareness of the climate crisis to their fans. In 2022, UMG’s Mercury Live served as the streaming partner for Billie Eilish’s Overheated conference – a landmark multi-day event focused on climate change. The conference featured a diverse lineup of young activists and prominent speakers from the world of science, energy, fashion, music, and technology.

EMPLOYEE ENGAGEMENT

While UMG's dedicated ESG function oversees our sustainability policies and reporting efforts, employee-led Green Teams play an important role in driving environmental awareness, supporting artist advocacy, and implementing both internal and external initiatives. This year's regional Green Team activities included:

- **Eco-Anxiety Roadmap:** To coincide with Earth Day, the U.S. Green Team partnered with The Mental Health Coalition (MHC) to launch a new mental health roadmap focused on climate change, eco-anxiety, and climate justice. The Roadmap to Climate Change Mental Health was designed to help the public navigate mental health issues that may be triggered or worsened by eco-anxiety and climate trauma.

- **Go Green Challenge:** The U.S. Green Team organized its first annual Earth Month Go Green Challenge. Employees were encouraged to adopt a series of actions to reduce their daily carbon footprints, and their impacts were tracked via an online leaderboard. For every action completed, UMG purchased a one tonne carbon offset from a verified project of the employee's choice.

- **Green Week Programming:** UM UK's Team Green celebrated Earth Month by organizing Green Week, featuring sessions on sustainable merchandise, the environmental impact of NFTs, and UMG's response to the climate crisis. Programming included a guided bird walk as well as educational content from the UM UK café, which offers vegan menu options and loyalty points for the use of reusable cups.

'UMG U.S. EMPLOYEES TOOK OVER 3,000 GO GREEN CHALLENGE ACTIONS AND SUPPORTED A PORTFOLIO OF VERIFIED CARBON OFFSET PROJECTS TO AMPLIFY THEIR REDUCTIONS.'

Across UMG's global footprint, 2022 saw the launch of a coordinated community garden initiative. The U.S. Green Team partnered with Goodr and Captain Planet to create the UMe Community Learning Garden at a local elementary school in Los Angeles, serving as a space for students to engage in inquiry-driven, project-based learning while deepening their understanding of how natural systems work. Gardens were also established in the UK, France, Australia, and New Zealand. In 2023, the project is expected to expand to additional territories, including Brazil, India, Italy, the Netherlands, and South Africa, among others.

ESG COMMITMENTS

SOCIAL

UMG is committed to empowering our people and communities through culture and creativity. This focus extends to our employees, our artists, and the diverse communities we reach.

Through dedicated task forces, recruiting initiatives, and employee development programs, UMG is focused on establishing workplaces where diversity is valued. Understanding the collective power of our audience, we also strive to cultivate relationships with artists who share our values and empower them to use their influence to inspire positive change. We believe in supporting ambitious, multi-faceted creative content that promotes all cultures and perspectives. Through the very nature of our business, we strive to leverage the power of culture and creativity to build more open, equitable societies.

'UMG DERIVES ITS STRENGTH AS A COMPANY FROM OUR PEOPLE – AND IN TURN, THE PASSIONATE AND INNOVATIVE EXCELLENCE OF OUR WORKFORCE FEEDS THE SUCCESS OF OUR ARTISTS AND SONGWRITERS. LOOKING AHEAD, WE WILL CONTINUE TO BUILD ON OUR STRENGTHS, LIFT UP OUR COMMUNITIES, CELEBRATE OUR DIVERSITY, AND FOSTER THE ENTREPRENEURIAL THINKING THAT KEEPS OUR BUSINESS THRIVING.'

ERIC HUTCHERSON, EXECUTIVE VICE PRESIDENT, CHIEF PEOPLE AND INCLUSION OFFICER

Empowering Our People

Our business is driven by the commitment and ingenuity of our people. Our People, Inclusion & Culture (PIC) team supports the UMG employee experience and ensures that the values of our company align with the values of our people. Within PIC, specialized teams and voluntary task forces work in tandem to foster thriving careers and maximize capability building.

We attract and retain top talent by offering competitive compensation packages as well as additional opportunities for employees to participate in the success that they help create.

Employee Equity Award

2022 saw UMG grant all eligible employees a one-time Equity Award of 100 shares of UMG Common Stock as a "thank you" for their efforts.

EARLY CAREER AND TALENT ACQUISITION

This year, our Talent Acquisition team focused on updating our recruitment strategy to meet UMG's evolving business needs. We researched and leveraged internal and external people analytics to understand the skills and capabilities needed for the future, and we crafted multiple iterations of our employee value proposition to allow us to stand out in today's hyper-competitive talent market.

In combination with a revamped go-to-market strategy, 2022 also saw our Talent Acquisition team amplify its impact with innovative technology integrations. Our new end-to-end recruiting management application reduces recruiting bottlenecks, improves recruiter efficiency, promotes faster hiring, and increases in-house sourcing. Our talent experience platform serves to automate workflows and scale the hiring process, expand our candidate pools, and reduce bias in the hiring process by removing geographic, time, and administrative barriers.

Bonus Tracks

Dedicated to meeting future executive talent among high school students, UMG's Bonus Tracks after-school program includes weekly sessions during which students learn about the basic workings of a contemporary record label and have the opportunity to network with label executives who share their knowledge and experiences. Bonus Tracks began in 2018 in Los Angeles in partnership with Capitol Records, expanded to Nashville in partnership with CCMG in 2019, expanded to New York in 2022, and plans to bring music education to Atlanta and Detroit in 2023.

Educating young people about our business remains a vital element of UMG's recruitment efforts. In 2022, we developed and implemented a range of programs to attract and inspire the next generation of talent, including:

- **Internship Pipeline:** In the U.S., we hosted over 200 interns and placed top performing graduates in full-time positions across Marketing, Creative Content and Production, Strategic Partnerships, A&R, and Technology functions. UMG Brazil also continued to provide internship opportunities for teenagers from poverty-stricken areas.

- **Mirri Mirri Partnership:** UMG Australia continued its partnership with Mirri Mirri, an Indigenous Cultural Awareness Organization, with plans to onboard an indigenous Internship cohort in 2023.

- **Learnership Initiative:** UMG South Africa launched a mentorship program in which 20 local youth participated in on-the-job training to learn about the business side of the music industry. The territory also partnered with the South African Performing Rights Association to give unemployed youth the opportunity to receive an accredited certificate and work experience through a formalized training program.

- **New Graduate Job Boards:** UMG Japan advertised job vacancies on career sites exclusively dedicated to new graduates.

To evaluate the effectiveness of our hiring initiatives, we release a Hiring Manager Satisfaction Survey to maintain a real-time understanding of Hiring Manager experience with the Talent Acquisition organization, earning a satisfaction score of 87%. New employees also receive a survey asking them to rank their hiring experience throughout the recruitment lifecycle.

'IN 2022, UMG RECEIVED SATISFACTION SCORES OF 95% RELATED TO THE EMPLOYEE ONBOARDING EXPERIENCE AND 90% WITH RESPECT TO EMPLOYEE ENGAGEMENT AT THE 90-DAY MARK.'

In combination with the continuous evaluation of industry trends and relevant market intelligence, these exchanges will continue to inform the Talent Acquisition team's initiatives, priorities, and structure.

Hiring a Diverse Workforce

At UMG, we champion diversity, inclusion, and belonging with every hire. 2022 initiatives included:

- Inclusive Interviewing Training: We launched Inclusive Interviewing Training as part of our People Development & Organizational Effectiveness Open Enrollment. Our goal for 2023 is to roll the program out to all hiring managers and certify the entire Talent Acquisition team.

- Specialized Job Boards: We partnered with specialized job boards which strive to fix the employment gap for talent from underrepresented communities in the creative industry. All of our job postings integrate our inclusion statement.

- Historically Black Colleges and Universities (HBCU) Support: We participated in the HBCU Caucus Partnership Challenge, led by U.S. Congresswoman Alma Adams (NC). The Challenge was created by the Congresswoman in 2017 to strengthen public-private investments in HBCUs in an effort to ensure their future sustainability, increase career prospects for their students, and advance diversity and inclusion within all sectors of employment.

- Congressional Black Caucus Workshop: We joined forces with the Congressional Black Caucus to host the 00:30 for 30:00 Career Development Workshop – a virtual opportunity for young Black professionals to receive interviewing and resume building tips from a panel of UMG recruiters and executives. Participating candidates submitted a 30-second elevator pitch for the chance to earn a 30-minute meeting with a UMG executive.

- Neurodiversity Training: We focused on attracting and embracing the talents of individuals with autism, dyslexia, ADHD, and other forms of neurocognitive variation by collaborating with partners to offer neurodiversity training and support for new and existing employees.

CAREER DEVELOPMENT

In addition to our expansive recruitment programs, we understand that workforce engagement and development is critical to ensuring long-term success.

Employee listening is how we pass the mic. Our Employee Listening Strategy helps us match expectations with opportunities throughout the employment lifecycle and is designed to consistently capture the individual employee voice, effectively assess critical areas of the employee experience, and efficiently turn insights into action. We continuously issue Lifecycle Surveys - New Hire, 90-Day New Hire, and Exit - to collect key information along the employee journey, as well as Engagement and Pulse Surveys to measure progress against our objectives. The survey readouts are a valuable tool that help improve our retention efforts.

We also offer a broad range of learning opportunities to retain our top talent, facilitate career growth, and promote a culture of care, creativity, and innovation.

'UMG EMPLOYEES DEVOTED 74,456 HOURS TO TRAINING IN 2022.'

To support development from the very start of employment, all new hires are registered to complete regionally-specific UMG training modules and acclimation activities. These dynamic resources leverage enterprise technologies, company policies, benefits, rewards, and inclusion awareness. UMG Australia deploys its introductory training via a mobile app that promotes continual improvement of the hiring process by automatically administering new hire surveys to collect feedback at various intervals.

Following employee onboarding, our regional offices provide tailored programming on a quarterly basis to create opportunities around soft and technical skill building. Popular topics include "Effective Communication in the Workplace," "Challenging Conversions, Setting Goals," "Careers & Connections, Everyday Inclusion, Creating Psychological Safety," and "Banishing Imposter Syndrome." Programming also includes cross-functional business acumen workshops that provide additional opportunities for managers to increase their knowledge and share it with peers.

Learning Management Software

This year, upskilling and reskilling took priority as UMG launched a learning management software (LMS) in select territories. Featuring over 300 digital courses, the global software application provides a framework for all aspects of the learning process. We intend to further scale this technology across the company in 2023.

Cultivating leadership is another foundational element of UMG's workforce development approach. In 2022, key programs included:

- **The Emerging Leader Program:** Based on years of internal feedback, we launched The Emerging Leader Program, a fully digital and self-paced leadership development initiative designed to upskill individual contributors who aspire to become leaders. The program supports career growth by providing resources around communicating ideas, decision-making, giving feedback, and preparing to lead a team.
- **Career Development Studio:** We expanded the Career Development Studio, a self-help online portal created to encourage internal mobility. The studio features resources, planners, and assessment tools for employees to customize their career journeys.
- **6 Strings of Management:** We continued to strengthen the 6 Strings of Management. As our flagship leadership development program, the initiative is designed to equip first-time people managers with frameworks to effectively engage their teams. Participants learn how to lead inclusively, understand their communication style, identify ways to bring out the best in their team, and set goals and coach performance to deliver results. In surveying the 2022 cohort, 93% said they applied their learnings, 92% said the program improved their communication with direct reports, and 74% said they conducted "stay interviews" with their teams following the program.

6 STRINGS OF MANAGEMENT: PARTICIPANT VOICES

This year, 6 Strings of Management expanded its global presence with the launch of a cohort in Southeast Asia and a pilot cohort in the Latin American, Canada, and Australia regions. Graduates shared positive feedback, including:

"This program provides great content for leaders unfamiliar or uncomfortable with career & performance conversations. It is also a great reminder for those who have not had to flex those muscles in a while."

"Thank you for today's Goal Setting session. It was extremely helpful for me to focus on specific goals and developing a framework for having the conversation with my team."

"I am really enjoying The 6 sessions so far. It is far more challenging than I was expecting, but opportunities in the space to talk it through in class helps."

"Continue to offer more proactive leadership development programs like this one. The program was user-friendly (in terms of schedule offerings), clearly communicated, and well executed/facilitated."

"More development sessions and refreshers! Loved this program. It was a huge asset to me as this is my first time managing more than one person."

"I would recommend The 6 for anyone at UMG in upper management as it really helps you to become more self-aware in a way that is safe. It was also great meeting and speaking to managers from different departments. I would encourage even more breakout sessions!"

EMPLOYEE HEALTH & WELLBEING

Health and wellbeing are central to our strategy for enhancing our appeal as an employer, improving creativity, and motivating and retaining our employees.

Our experiential wellbeing program, The Whole You, continues to provide UMG employees with access to quality-of-life tools, information, and activations addressing mental, physical, and financial health - as well as community and family needs. The program offers a variety of resources, including webinars, panels, and self-paced learning modules.

In 2022, we launched a new partnership with a health and wellbeing platform available to all U.S. employees and their dependents. The platform provides diverse offerings, such as 1:1 coaching, therapy sessions, and guided meditations. As part of the collaboration, we hosted more than a dozen sessions over an 8-month period addressing topics ranging from "Stress & Burnout" to "Coping with Loneliness."

Additionally, UMG U.S. doubled its Wellbeing Allowance, a program that supports the overall wellbeing of U.S. employees and their immediate family members by funding a wide array of services. Employees were also given Wellbeing Day off in October, early release on Wellbeing Fridays throughout the year, and a two-week, company-wide Winter Break in December. We also closed U.S. offices for Election Day to ensure that all of our employees had the time they needed to vote and participate in the electoral process.

Across our global footprint, additional health and wellbeing initiatives included:

- **Employee Assistance:** UMG employees across Australia, Germany, the UK, and the U.S. were granted access to regional Employee Assistance Programs.

- **Gympass Access:** UMG Brazil provided employees access to the Gympass Platform, a complete wellness system offering therapy sessions, parameterization and sleeping assistance, nutrition guidance, motivation, financial resources, physical activities, and classes for children and family.

- **VITALITY Benefit:** UMG South Africa implemented the VITALITY program, an additional benefit to medical insurance for 100% of permanent employees. VITALITY tracks wellness indicators via an app and sets customized goals for each individual.

- **Mental Health Programming:** UM UK provided targeted programming and resources to honor World Mental Health Day and Mental Health Awareness week, including therapist sessions focused on "Improving Connection and Belonging" as well as community meet-ups and art therapy classes.

As part of our commitment to health and wellbeing, UMG provides comprehensive family support programs, including fertility, egg freezing, pregnancy, miscarriage, adoption, and mental health support. Our childcare and eldercare partnerships reflect UMG's focus on delivering best-in-class benefits.

Family Friendly Employer
UMG Germany was awarded Top Employer 2022 for "family friendliness" by freundin x kununu.

We also remain steadfast in our commitment to the safety of employees in the workplace. We communicate and reinforce our Work, Health, and Safety programs and policies, which include arrangements for first aid and emergency procedures, key contacts to raise any work-related health and safety concerns, and incident reporting procedures.

FUTURE OF WORK

Due to the COVID-19 pandemic, many of our employees are now fully immersed in a hybrid working model. Through UMG's Future of Work Strategy, we continue to ensure that company leaders and employees have access to the necessary tools and resources to be effective in this changing work environment.

Hybrid, mobile, and remote employees are offered furniture, lighting, and home office supplies through a dedicated UMG purchase program, and we are currently identifying a partner to assess and advise on proper ergonomic setup for hybrid workers.

We have also tailored the UMG learning journey to focus on specific communication and relationship skills to build a cohesive and productive hybrid workforce that continues to deliver the creative results for which we are known. We offer courses ranging from "Leading a Hybrid Team," which prepares managers to support their hybrid teams, to "Hybrid Working: Connection, Collaboration & Wellbeing," which helps employees navigate new routines in their work weeks and the challenges of staying connected, productive, and collaborative in a geographically dispersed workforce.

As our workplace needs continue to evolve, we understand that employee feedback is critical in shaping our policies and priorities. In 2022, UM UK conducted an internal survey to better understand employees' attitudes and feelings on a range of topics related to hybrid working, informing its approach to workplace flexibility programs that boost creativity and collaboration. Dedicated quiet spaces were added to the UK office footprint for neurodiverse employees, and remote employees were given financial support to setup ergonomic home offices.

UMG Japan also conducted a series of surveys to understand how its various departments work remotely versus in-person, as well as issues and challenges within current workstyles. Feedback was leveraged to introduce tools and equipment to make hybrid working more comfortable, including the integration of Zoom booths into regional offices.

DIVERSITY, INCLUSION, & BELONGING

At UMG, we believe that the best way to foster an environment where original ideas are generated and innovation can flourish is to create a workplace that attracts and promotes people from diverse backgrounds and cultures – one that reflects and supports the incredible diversity of our artist roster.

Through dedicated practices and engagement opportunities, we are committed to the inclusion of all employees, with an underlying focus on creating equitable access to resources for communities of people who are Asian and Pacific Islander, Black, Hispanic and Latinx, Native American and Indigenous, LGBTQIA+, and women.

UMG's inclusion learning strategy promotes a culture of development that is welcoming and supportive of courageous dialogue across differences. In addition to PIC-led training and coaching sessions, UMG encourages participation in Employee Resource Groups (ERGs): employee-led affinity groups that aim to create a true sense of belonging through guest speakers, expert panels, celebration of cultural events and holidays, and professional development workshops. Groups include the UMG Women's Network, UTOPIAA (Asian American & Pacific Islander), Black Label (African American), Cultura (Latinx and Hispanic), and PRISM (LGBTQIA+) with locally branded chapters across the globe.

In 2022, UMG strengthened the connections across our global ERG footprint with the launch of the new Global PRISM Network, a network of LGBTQIA+ ERGs from the U.S., Canada, and Germany that convene on a regular basis to amplify local activations during key community celebration months. The Global PRISM Network also serves as a resource-sharing system across territories.

'IN 2022, WOMEN MADE UP 51% OF OUR WORKFORCE, 43% OF UMG'S MANAGERS WERE WOMEN AND 45% OF UMG'S NON-EXECUTIVE DIRECTORS WERE WOMEN, INCLUDING THE CHAIRMAN OF THE BOARD.'

At the nexus of our employee development efforts and our focus on diversity, inclusion, and belonging is our commitment to driving leadership among women and other underrepresented groups. This commitment helps foster a culture of belonging and boosts the capacity for the innovation on which our business lines depend. In 2022, key programs included:

- Black Leadership Academy Experience Program: We partnered with external expertise and launched a six-month learning journey supporting early professionals, mid-level managers, and senior executives to accelerate the progress of underrepresented talent.

- Management Accelerator Program: We implemented the Management Accelerator Program for mid-career managers who are typically three to five levels below the C-suite and aspire to take the challenging leap into senior leadership roles. The program focuses on building core management and leadership capabilities needed to lead successful businesses and teams.

- Leadership Essentials Program: We rolled out the Leadership Essential Program for early careerists and individual contributors with up to seven years of experience in the workforce who aspire to become team and people leaders. The program sharpens core business understanding, dives into effective day-to-day leadership and execution, examines self-leadership, and provides a robust network of peers and experts.

- **ASCEND Development Program:** In partnership with our People Development & Organizational Effectiveness team, UMG's Task Force for Meaningful Change (TFMC) launched ASCEND, our first differentiated development program. The initiative provides support, development, and senior executive exposure to Black employees at the Director and Senior Director Level. We saw a 16% promotion rate among graduates, and in 2023 we will expand the program to all affinity groups.

- **U.M.She LEADS:** In 2021, we launched our first-ever women's executive leadership preparation program, which was designed for rising senior leaders looking to advance to the next stage in their career. The inaugural 2021-2022 cohort represented a diverse set of leaders from across our record labels and business units, with participants ranging from Senior Managers to Senior Vice Presidents. In 2022, 46% of women who participated were promoted within a year.

- **U.M.She & The Women's Network Peer Coaching Circles:** We piloted peer coaching circles with cross functional teams at all levels. Participants met monthly with peer mentoring circles organized by career levels and common interests. Discussions focused on topics such as building confidence, the power of play, and reciprocity.

- **Women in A&R Program:** We devised, implemented, and rolled out the Women in A&R program to encourage women to pivot into A&R departments at labels.

- **Women in Tech Mentorship Program:** We launched our Women in Tech mentorship program, which strives to promote gender diversity in tech and to connect talented professionals across the industry.

UMG is committed to diversity and inclusion, to creating professional growth opportunities for our employees, and to raising the percentage of people from underrepresented groups within top roles and throughout our company. In 2022, we expanded our workforce representation disclosures by looking deeper into gender, race, and ethnicity data.

	2022	2021
GLOBAL TURNOVER	13.95%	13.28%
Men	6.86%	-%
Women	7.09%	-%
TOTAL WORKFORCE	9,992	9,505
Men	49%	50%
Women	51%	50%
MANAGERS	3,456	2,838
Men	57%	59%
Women	43%	41%

U.S. ONLY DATA

U.S. RACE / ETHNICITY	TOTAL
American Indian or Alaska Native	0.5%
Asian	11%
Black or African American	13%
Latinx	14%
Multiracial	4%
Native Hawaiian or Pacific Islander	0.5%
White	57%

TOTAL U.S. WORKFORCE

As we look ahead to 2023, we are committed to continuing the research that helps us better understand representation within our workforce, artist roster, and supplier portfolio[1,2].

[1] In 2022, UMG updated its turnover rate formulas to align with guidance from the Corporate Sustainability Reporting Directive (CSRD). The global turnover rate is calculated as follows: Number of departures of employees on permanent contracts in year Y / Total number of employees on permanent contracts as of December 31 in year Y. Turnover by gender was not calculated in 2021.

[2] Gender categories are based on our global workforce, and race and ethnicity categories are based on U.S. reporting requirements, as laws on collecting race and ethnicity data differ outside of the U.S. The 2022 numbers account for 9,992 full-time employees globally and 3,565 full-time employees in the U.S. for the race/ethnicity numbers.

EMPLOYEE GIVING

At the center of UMG's employee experience is a culture of care and community service. We encourage our employees to participate in a variety of philanthropic endeavors that benefit surrounding communities and inspire connectivity.

Donation matching remains a core element of UMG's employee giving approach. In the U.S., we offer a 150% super-match contribution for all qualifying donations made by employees on #GivingTuesday.

'IN 2022, UMG U.S. EMPLOYEES GAVE HUNDREDS OF INDIVIDUAL DONATIONS IN SUPPORT OF ORGANIZATIONS INCLUDING WORLD CENTRAL KITCHEN AND ST. JUDE CHILDREN'S RESEARCH HOSPITAL. U.S. EMPLOYEES ALSO VOLUNTEERED NEARLY 1,000 HOURS OF THEIR TIME TO CAUSES THEY CARED ABOUT.'

To encourage staff volunteering, the U.S. Volunteer Time Off (VTO) Policy provides employees with up to 16 hours paid time off to volunteer with accredited non-profits. The VTO Policy aims to make our communities stronger by providing our people with the opportunity to help those in need. Sharing this ambition, UM UK's Staff Charity Committee promotes participation in its annual Give A Day initiative, which encourages staff to take a day off of work to volunteer for a registered charity.

Across the globe, UMG territories also engage in a number of regionally specific philanthropic initiatives, many of which support underprivileged women and children in local communities. Among other endeavors, 2022 saw UM UK initiate a food bank drive and UMG South Africa provide direct support of the Frida Hartley shelter for women and children through employee volunteering and the donation of critical supplies.

#MLKDayofService

Consistent with Dr. Martin Luther King, Jr.'s legacy of service, UMG U.S. employees are encouraged to mark the King holiday by performing a day of service. In 2022, the Universal Music All Together Now Foundation created and issued an #MLKDayofService toolkit – highlighting volunteer opportunities with organizations fighting for constructive change, as well as learning resources and social media graphics to spread awareness of the #MLKDayofService campaign.

Elevating Artists

UMG'S UNIQUE ARTIST-CENTRIC CULTURE

Once again, UMG's unrivaled roster of artists and songwriters turned in a stellar performance in the charts in 2022 – including both developing and established artists, and across genres and geographies. Our artists are collectively the most talented, visionary, and popular in music – and they have a special connection with fans around the world.

That connection doesn't "just happen." It comes as a result of our unique artist-centric culture, which drives the partnership between UMG's labels, publisher, and business units on one hand, and the artists and songwriters on the other.

We apply this artist-centric culture through our company's two-fold mission.

Our first, and most difficult imperative, is to discover and break new artists and then sustain their careers over the long run. To accomplish this goal, we offer a supportive ecosystem that places artists at the heart of our activities. This includes a broad spectrum of businesses – from recorded music and music publishing to audio and visual content licensing, merchandising, live performances, audiovisual and film production, data analysis, digital innovation, distribution, marketing, communication advisory services, branding, and more.

Understanding that we only succeed when our artists succeed, our artists remain at the center of everything we do throughout their careers. UMG continues to innovate and implement front-line programs that help our artists reach their greatest potential, both creatively and commercially. We support artists at every stage of their development, from discovery and continuing throughout the lifecycle of their careers.

The second part of our mission is to promote a healthy, sustainable, and exciting music ecosystem in which our artists can thrive for years to come. As technology continues to evolve at breakneck speed, we pursue unexplored artist-centric avenues of creative and commercial possibilities.

Given our increasingly dynamic marketplace, Universal Music Group for Brands (UMGB), our dedicated brand partnerships team, found new ways for artists to connect with their fans across social platforms. By facilitating artist and brand collaborations to create socially relevant content, we helped artists break into new markets, reach new fans, and earn non-recorded income – a key differentiation factor for UMG. UMGB also launched the new UMusic media network, further benefiting artists with premium media sales from YouTube content. Through UMGB partnerships and innovations, we continue to offset substantial marketing costs for our artists and our labels.

As the digital business model continues to evolve, we actively advocate for artists, other creators, and a robust music ecosystem in the public policy sphere. An overarching theme of UMG's advocacy is that all creators deserve fair compensation regardless of the platform on which fans enjoy their art. We have championed numerous legislative and government initiatives toward this goal, including the U.S. Music Modernization Act, the EU Copyright Directive, and the American Music Fairness Act, which has been an ongoing policy effort for over a decade.

Importantly, and in order to align our artists' experience with our value proposition, we also provide transparency in artist compensation. UMG invests in the infrastructure and technology to maintain secure online access points for artists and songwriters to view data on the consumption of their music – as well as information about their royalties – at any time and from any computer or mobile device. These systems and applications provide significant data, including detailed royalty data, proprietary streaming and social media reporting, and trend analysis.

ARTIST WELLBEING & SUPPORT

At UMG, music - and the artists and songwriters who create that music – are at the center of all we do. Our commitment extends beyond supporting and amplifying their creative vision.

Through our continued partnership with the non-profit Music Health Alliance (MHA), nearly 300 UMG and UMPG artists, songwriters, and their families received life-changing medical care and saved $3.7M in healthcare costs, including reductions in medical bills, medication costs, and health insurance premiums as well as grants and lowered deductibles/out-of-pocket maximum costs. In addition, MHA provided 23 Mental Health Fund grants and helped coordinate more than one hundred counseling sessions.

In 2022, UMG launched its worldwide goodwill program benefiting certain legacy recording artists and songwriters with unrecouped balances. Under the ongoing program, eligible creators and their immediate heirs who have not received any payments since January 1, 2000, will begin receiving royalties, subject to certain conditions.

Relatedly, UMG's Royalty Artist Assistance Program continues to assist our partners in need. The program offers featured artists in financial need with the ability to request advances on royalty payments during times of financial hardship.

Additional UMG initiatives address artists' mental health and wellbeing. For example, recognizing that the life of an artist can present unique challenges and stressors, UM UK created a bespoke program to provide partner artists with a confidential space to support their personal development, wellbeing, and mental health. In addition to confidential counseling services provided by an in-house BACP-registered counsellor with over 20 years of experience in the music industry, the service includes referrals to other kinds of professional wellbeing services and assistance as needed. The program supports artists at all stages of their careers and provides a resource for UMG staff working with an artist to flag potential concerns with a trained professional.

Universal Music UK Artist Counseling Highlights

- Initial wellbeing check-ins to provide support and guidance to all emerging artists, ensuring they have the right support to develop and thrive.

- Helping artists cope with challenges that may appear as their career evolves, including:

    - Lack of boundaries
    - Success and failure
    - Online harassment and abuse
    - Identity competition and comparison
    - Maintaining a private and public self
    - Rejection
    - Sudden fame

Our artist welfare and support efforts are further bolstered by UMG's partnership with Help Musicians, a UK service philanthropy serving musicians at all stages of their career through:

- Business and career advice and counseling
- Support for artists suffering from injury, illness, or other physical health issues
- Mental health services
- Short-term financial assistance
- Help for those suffering from bullying and harassment

In 2022, UMG partnered with Help Musicians to launch the "Co-Pilot" program, a groundbreaking musicians' mentoring network. The Co-Pilot initiative matches UMG employee mentors with musicians to share knowledge, skills, and expertise. 2022 saw 32 UMG mentors actively engage with the program, with many of the mentorship relationships continuing beyond the program's culmination.

Importantly, our commitment to artist wellbeing and welfare extends to non-featured artists as well. For example, UMG's longstanding partnership with our partners at the American Federation of Musicians (AFM) and the Screen Actors Guild-Association of Featured Theatrical and Recording Artists (SAG-AFTRA) in the U.S. enables the music industry's largest contributions to their respective health and pension funds. These funds provide studio musicians and background vocalists access to sustained health insurance and retirement benefits that might otherwise be unattainable.

DIVERSE & INCLUSIVE CONTENT

At UMG, we value diversity, inclusion, and belonging in both our operations and our content. We use our global platform to shine a light on diverse stories and local repertoires, leveraging the power of artistry to build more equitable and open societies. Examples of 2022 initiatives include:

- **Black Story:** Universal Music Recordings (UMR) launched "Black Story," a campaign to highlight and pay tribute to trailblazing Black UK artists. UMR engaged talented up-and-coming Black UK-based animators to create bespoke artistic videos celebrating the music of Gabrielle, Incognito, Ms. Dynamite, and Soul II Soul – with more to be released in 2023.

- **National Coming Out Day:** In celebration of the UK's "National Coming Out Day 2022," UMR released a "Pride Can't Be Silenced" vinyl, which includes classic songs from trailblazing LGBTQIA+ icons, artists, and allies, such as Queen, Elton John, Spice Girls, and Kylie Minogue.

- **Hear Her Voice**: To mark International Women's Day, UMR launched "Hear Her Voice," a six-part podcast series featuring interviews with women from across the industry representing voices for change and celebrating sisterhood. Hosted by broadcaster Laura Whitmore, guests included Self Esteem, Nicola Roberts, CHVRCHES' Lauren Mayberry, Jamz Supernova, Yola, KT Tunstall, and Olivia Dean.

- **Equalise:** In addition, on International Women's Day, our Abbey Road Studios opened its Angel Studios to the next generation of female artists and creatives for a free day of panel talks and masterclasses. Rachel Holmberg, Decca's Senior Head of A&R, joined Jo Digby, UM UK's Head of Learning & Development, for a discussion on all things A&R. Char Grant, 0207 Def Jam's A&R Director, spoke on a panel discussing recording essentials.

- **Game Changers**: Commissioned by the Olympics, Rebel Labs created "Game Changers," which went live for International Women's Day. The six-part mini-docuseries, presented by TikTok influencer Sherice Banton, focused on important women in sports who have paved the way and created positive change, all set to an empowering soundtrack by Celeste and Ellie Goulding.

- **Irruk Birruk:** UMG Australia launched a global distribution solution for otherwise unavailable legacy recordings from Australian Indigenous and Torres Strait Islander artists. Titled "Irruk Birruk" ("Yesterday" in the language of the Yorta Yorta people), the overall aim of the project is to ensure that Indigenous and Torres Strait Islander songs and stories are not lost to history and that the ownership of their copyrights stays with the creators.

- **Waiata Anthems:** UMG New Zealand (UMG NAZ) continued to take a leading role in the Waiata Anthems movement, a pan-industry campaign to incorporate the local indigenous language "te reo Māori" in contemporary music. In partnership with Dame Hinewehi Mohi, UMG NZ oversees funding for recordings, encourages and supports industry-wide label A&R strategies to deliver more music in te reo Māori, and manages the marketing and promotion for the annual Waiata Athems Week and the artists participating in the celebration with their releases.

- **Black Girls Rock:** In the U.S., UMG is the sole underwriter of the Kennedy Center for the Performing Arts' Black Girls Rock Fest, a significant platform to showcase the talents, vision, and innovation of female artists of color around the world.

UMG supports and works closely with a number of institutions that recognize, celebrate, and preserve iconic, diverse, and groundbreaking music. In the U.S., UMG is a supporter of the Kennedy Center for the Performing Arts and was proud to celebrate three UMG artists recognized during the prestigious 2022 Kennedy Center Honors Ceremony, including pioneer Motown recording artist Gladys Knight. UMG also works closely with the National Museum of African American Music, the only museum of its kind dedicated to preserving and celebrating the history of Black music in America. UMG's General Counsel and EVP of Business & Legal Affairs, Jeff Harleston, serves as a valued member of the museum's Board of Directors.

Honoring diverse and inclusive content also means protecting the rights of those who create it. After several state prosecutors in the U.S. admitted rap lyrics as "evidence" of a defendant's guilt in court, UMG joined with others in the music community to push for legislation to protect the artistic freedom of songwriters and artists by limiting the admissibility of lyrics in a criminal trial. Our advocacy efforts were successful in the state of California and continue federally and in other states around the country.

UMG's creative strategy and intelligence teams directly interface with our audiences and communities to ensure that the creative ideas for UMG labels and artists are inclusive and reflective of society, resonating with the many different audiences with whom our artists connect.

Preserving Musical Heritage

Recognizing music's profound historic role in humanity, we work to help preserve and honor our rich and diverse musical past – which provides insights into who we are as a culture today.

For example, through our continuing partnership with the U.S. Library of Congress, we provide historic master recordings to the Library's audiovisual division. Launched in 2011, when we donated the first major collection of studio master materials to the Library (more than 200,000 historic master music recordings), we continue to contribute samples regularly.

We also fully fund the EMI Archive Trust – one of the world's largest and most diverse music and technology archives. Established in 1996 to preserve the history of EMI, its collections cover an extraordinary journey through the history of sound, not just in the United Kingdom, but around the world. The archive, which is currently applying for UNESCO World Heritage status, has many original and priceless artifacts and tells the story of British and global history, starting with the early recorded music industry and the role that EMI (originally The Gramophone Company) played in the emerging industry's development and globalization, from 1897 through 1946.

In tandem with our strategic partnerships, UMG's vast catalogs of cultural works are preserved and restored through the ongoing efforts of our archive team. This year, accomplishments included:

- **Audio Preservation & Restoration**: More than 4,100 physical audio assets were restored and digitized. That number encompasses a wide variety of projects, including more than 600 tapes preserved as part of our efforts to restore and digitize our most vulnerable audio formats. These formats include digital multi-tracks and high-resolution analog tapes, both at risk of physical deterioration and technical obsolescence. Other preservation efforts included digitization work on the catalogs of artists such as the Bee Gees, Frank Sinatra, Keyshia Cole, blink-182, George Strait, Mary J. Blige, Counting Crows, Beck, James Brown, and David Bowie, among many others.

- **Video & Film Preservation**: We completed metadata entries and physical assessments on 4,597 video assets, of which 2,022 were subsequently digitized. An additional 700 assets were digitized as part of our efforts to safeguard fragile video formats, including preservation of the entirety of four formats at risk of technical obsolescence. Our film collection saw 400 reels getting preserved due either to the urgency of their physical condition or their historical importance. Among these reels are moving pictures of artists such as the Beach Boys, Nine Inch Nails, Neil Diamond, John Lennon, Dr. Dre, Frank Sinatra, George Strait, Heart, Janet Jackson, MC Hammer, Rihanna, Reba McEntire, Snoop Dogg, The Roots, and many more.

- **Image & Artwork Preservation**: Our efforts in photo archival continued, and in total we preserved 31,858 images from across our collections. Included in these efforts were photos collected for the Beach Boys 60th anniversary, some of which ultimately became contributions to the Beach Boys exhibition showcased at the Morrison Hotel Gallery. A partnership with Blue Note resulted in the acquisition of the Francis Wolff photo archive, a massive photo collection which greatly augmented our existing archive. This undertaking involved the transportation, digitization, and metadata tagging of approximately 17,000 images.

Supporting Our Communities

CORPORATE PHILANTHROPY

UMG believes in the power of music to inspire action. Using the collective strength of our community – including everyone from employees to artists and songwriters to fans – UMG supports organizations around the globe that are making strides to address social issues and create positive, systemic change.

'AMONG OUR TASK FORCE FOR MEANINGFUL CHANGE, OUR ALL TOGETHER NOW FOUNDATION, AND OUR EMPLOYEE MATCHING PROGRAM, WE CONTRIBUTED TO MORE THAN 500 ORGANIZATIONS IN 2022.'

In the U.S., the Universal Music All Together Now Foundation (UMATNF) works to advance systemic change through investment in three core areas:

1. Education
2. Health and Wellness
3. Racial Equity and Justice

UMATNF includes the Task Force for Meaningful Change, the UMG Green Team, and the UMG Unhoused Coalition. In 2022, UMATNF:

- Built broader awareness of key issues through roundtable discussions, newsletters, social media toolkits, and more to empower and activate our community of employees, artists, and fans.
- Mobilized deep, meaningful engagement through community service and volunteer action to respond to drive impact and lasting change.
- Provided direct financial support to an ecosystem of community-based organizations.

The UMG Unhoused Coalition mission is to intersect policy and philanthropy to better serve the needs of those unhoused in our communities, and works to strengthen education and advocacy as well as deliver resources and local support.

Among other policy initiatives, this year saw UMATNF provide support and social media expertise for California's #VoteYesOn28 campaign, the general election ballot initiative aiming to establish a permanent and sustainable funding source for arts and music education in public schools. Notably, the campaign's most viewed and valuable social media asset was produced by UMG and ultimately supported by Katy Perry. Because the measure passed with overwhelming support, California will now steer about $800 million more each year – nearly double the prior amount – into art and music programs in K-12 public schools, with campuses in low-income communities receiving a larger share of funding.

In the UK, UMG supports the Universal Music UK Sound Foundation (UMUKSF), an independently funded charity that focuses on lifting up the next generation of talent across the region.

UM UK also maintains its partnership with East London Arts & Music (ELAM), the free school for 16-19-year-olds founded in 2014 by Will Kennard, one half of EMI recording artists Chase & Status. In addition to offering masterclasses, mentorship, curriculum guidance, and work experience to many of the school's pupils, there are links between the school and UMG's A&R and People teams. UM UK record labels have signed talent from ELAM, including Chrissi (Island), Stella and Renée from FLO (Island), Sekou (Island), and Tendai (0207 Def Jam). FLO (Listen Generously/Island) was recognized this year as the "UK's most exciting new girl group."

Marking another longstanding partnership, UMG Australia's alliance with the Musicians Making a Difference (MMAD) charity is now in its 8th year. UMG Australia's support has enabled MMAD to reduce youth homelessness, poverty and addiction, break negative cycles, address mental health, and increase employment and education pathways.

Support for Ukraine

In light of the recent conflict in Ukraine, this year UMG supported several organizations and campaigns dedicated to bringing humanitarian relief to the Ukrainian people, including:

- Stand Up for Ukraine: UMG Executive Vice President Michele Anthony played a central role in Global Citizen's "Stand Up for Ukraine" global social media rally in April, which brought together hundreds of thousands of global citizens, including many UMG artists, to help raise more than $10 billion for Ukrainian refugee relief through the EU's pledging summit.

- A Concert for Ukraine: UMG labels Decca Classics and Deutsche Grammophon partnered with New York's Metropolitan Opera to release "A Concert for Ukraine," a special concert and album recorded live at the Met. Conducted by Music Director Yannick Nézet-Séguin, the album opens with the National Anthem of Ukraine, featuring Ukrainian bass-baritone and Lindemann Young Artist Vladyslav Buialskyi. Proceeds from the sale of http://www.helpukraine.centerthe album were donated to charities supporting relief efforts.

- Sting's Re-Recording of Hit Song: UMG artist Sting re-recorded his hit song "Russians," with profits benefiting www.helpukraine.center, a volunteer storage center established by Ukrainian business owners to receive humanitarian and medical aid from around the world.

- Reverberate Ukraine: Island Records partnered with Kyiv-based visual artist Alexey Kondakov to create five NFT artworks in support of World Central Kitchen, an NGO helping to feed people on the frontline in Ukraine and neighboring countries. The "Reverberate Ukraine" NFTs were auctioned by Bonhams Fine Art Auctioneers and UM UK released limited-edition screen prints.

- NGO Partnerships: We supported a wide range of NGOs bringing aid to refugees in the region, including the International Red Cross, the International Rescue Committee, International Medical Corps, and CARE.

SOCIAL JUSTICE & EQUITY

The fight for inclusion and social justice remains a pillar of UMG's impact efforts. In 2020, we launched the Task Force for Meaningful Change (TFMC) – a voluntary group of music executives and employees from UMG's corporate center, labels, and global companies – that works to support marginalized communities across six verticals:

1. Aid/Charitable Giving
2. Global Impact
3. Internal/Institutional Change
4. Legislative/Public Policy
5. Partners
6. Programming/Curation

This year marks the release of UMG's first TFMC Global Impact Report – highlighting the Task Force's driving initiatives in the ongoing fight for equality, justice, and inclusion. Additional 2022 milestones included:

- **Public Health Scholarships:** TFMC partnered with four accredited HBCU Medical Schools – Howard University College of Medicine, Morehouse School of Medicine, Meharry Medical College, and Charles R. Drew University of Medicine and Science – as part of 2022's super priority focus on public health. With $200,000 in scholarships routed to each of the four schools, the program's goal was to increase access to community-oriented and culturally competent healthcare and support projects, organizations, and initiatives that widen the Black medical student and practitioner pipeline.

- **Pull up to the Polls:** TFMC's ongoing education and civic engagement initiative aims to increase voter turnout in every election. In 2022, we supported participation in the U.S. midterm election by helping register 7,833 eligible voters with our partner, Voto Latino, and worked with partners NAACP and YMCA to provide 13,081 rides to/from the polls. We also encouraged UMG employees to support the program by sharing Pull Up to the Polls on their socials, volunteering for the When We All Vote texting campaign, and serving as Social Media Monitors to help protect voters from online disinformation.

- **Voting Rights Educational Workshops:** To increase education and engagement around the electoral process, we also developed Voting Rights Workshop Series that featured a panel of National voting rights experts and civic engagement toolkits for eligible voters across UMG.

- **Fast Forward with Generation Works:** TFMC UK partnered with Generation Works to develop a unique opportunity for young musicians to access recording space and receive mentorship from music industry experts, including A&R, production, management, and digital marketing professionals.

- **Primary Schools Workshop Series:** TFMC UK produced a series of interactive workshops to showcase classical instruments and repertoire from marginalized Black classical composers, performed by Black and ethnically diverse musicians from Decus Ensemble. The workshops were conducted in partnership with Live Music Now in six London primary schools with high percentages of pupils from minority ethnic backgrounds with limited or no classical music tuition.

- **Rap Lyrics on Trial:** TFMC endorsed state and federal legislation limiting the ability to use lyrics as evidence against defendants in criminal trials.

- **Emergency Gives:** TFMC responded to natural disasters, gun violence tragedies, and the water crisis in Mississippi with monetary support exceeding $200,000.

- **Charitable Donations:** TFMC supported over 70 organizations in the U.S. this year, with additional donations made to organizations in Latin America, Canada, Africa, and the UK.

TFMC continues to prioritize its support of criminal justice reform while also making financial contributions in the music industry and humanitarian aid and relief where unforeseen tragedies and national disasters disproportionately impact vulnerable communities. With nationally renowned experts recruited to serve as advisors every year, the Task Force ensures a targeted strategy of measurable impact. With regard to criminal justice reform, 2022 saw TFMC work with relevant public leaders and formerly incarcerated and system-impacted individuals to develop the following goals:

1. Reducing the number of individuals in the criminal justice system by driving funding to Community Violence Intervention projects that are Black or POC-led and that integrate formerly incarcerated persons into their approach.

2. Improving opportunities for formerly incarcerated persons by supporting meaningful reentry work that provides wraparound services, mentorship, and mental health support to system-impacted individuals.

Below is an illustrative list of organizations that the TFMC supported this year:

CRIMINAL JUSTICE REFORM	MUSIC INDUSTRY	PUBLIC HEALTH	HUMANITARIAN AID AND RELIEF	CIVIC ENGAGEMENT
Anti-Recidivism Coalition	Black Girls Rock	Almost Home	Black Emotional and Mental Health Collective	Black Voters Matter Capacity Building Institute
Chicago CRED	Blues Foundation	Black Women's Health Imperative	Bronx Fire Relief Fund	Brennan Center for Justice
Children of Promise NYC	Boys and Girls Club Long Beach	ElevateMeD	Cabarete Sostenible	Higher Heights Leadership Fund
Emerge Connecticut	Boys and Girls Club Madison Square	House of Ruth	Everytown for Gun Safety	Lawyers' Committee for Civil Rights Under the Law
Know Your Rights Camp	Girls Make Beats	Mentoring in Medicine	Feed More WNY	NAACP
National Institute of Criminal Justice Reform	Jubilee Arts	National Medical Association	Southern Poverty Law Center	Spread the Vote
The Sentencing Project	Louis Armstrong Jazz Camp	Student National Medical Association	Taller Salud	VoteRiders
United Playaz	Roots of Music		World Central Kitchen	Voto Latino
Vera Institute of Justice	Youth Speaks			When We All Vote

The TFMC also supported the following organizations as part of its spotlight and global giving initiatives this year:

Spotlight and Holiday Gives	Global Giving
The Hidden Genius Project	The African Presidential Leadership Center (South Africa)
Code2040	Missions of Hope International (Kenya)
Black Girls Movement	The Destiny Trust (Nigeria)
The King Center	Four Brown Girls (Canada)
Black Boys Code	Shelley Cares Foundation (Canada)
The National Council of Negro Women	Fundación Solidaridad y Compromiso (Colombia)
Global Fund for Women	Proyecto Daniel (Costa Rica)
National Coalition of 100 Black Women	Casa Alianza (Mexico)
The Marsha P. Johnson Institute	The Reading Agency (UK)
Black and Pink National	Nordoff Robbins Music Therapy (UK)
WE ARE R.I.S.E.	Pickni Uniforms (UK)

ESG COMMITMENTS

GOVERNANCE

UMG believes that responsible governance is essential to a strong business and to best serve our key stakeholders including our investors, employees, artists, songwriters, partners, and others. We are committed to the principles of accountability, transparency, fairness, responsibility, and risk management across the company and its activities, and our commitment to responsible governance serves as the foundation of our business strategy. We view our ESG efforts not as separate from, but as a central component of, our business strategy.

Accordingly, we carry out our business activities not only in compliance with legal and regulatory standards, but more fundamentally we base our business conduct and relations with third parties on ethical standards. These standards guide our business development, maintain stakeholder trust, prevent and manage risks we face, and support our global performance.

Operating With Integrity

BUSINESS ETHICS & COMPLIANCE

UMG is committed to responsible governance. Grounded in applicable laws, as well as the principles and best practices of the Dutch Corporate Governance Code, UMG's core values are operationalized in our Code of Conduct, which sets out the foundational principles that inform how we do business. Our Code of Conduct presents a guide to behave with honesty and integrity and earn and maintain the confidence and respect of all our stakeholders – investors, artists and songwriters, business partners, fans, and beyond.

Every business, division, and department within UMG worldwide is covered by the Code. Every person conducting business for UMG must follow the Code, including employees, members of the Board of Directors, and third parties, such as consultants, independent contractors, and company advisors or representatives.

We educate our employees on company policies and expectations via a suite of courses, including the Code of Conduct, Criminal Finance, Human Trafficking, Insider Trading, Information Security, Preventing Harrassment, Radio Promotion Compliance, and Health and Safety. Training timetables and topics offered are region and/or function specific where needed.

'UMG'S CODE OF CONDUCT HAS BEEN TRANSLATED INTO 21 LANGUAGES AND EMPLOYEES WORLDWIDE MUST CERTIFY THEIR COMPLIANCE WITH IT EVERY YEAR. IN 2022, 90% OF OUR WORKFORCE RECEIVED FURTHER TRAINING ON COMPLIANCE TOPICS.'

PRIVACY & CYBERSECURITY

UMG is committed to maintaining the trust of our artists and partners through the ethical and compliant collection, use, and sharing of data. UMG's Global Technology organization works to leverage state-of-the-art processes and technologies to minimize exposure and ensure that we continually enhance the security of our systems.

As a global company, we are subject to a number of local and regional privacy laws, and non-compliance might have significant legal, financial, and reputational effects on the company. To uphold our stakeholders' trust and ensure compliance with privacy regulations, we have developed and implemented a program designed to identify and mitigate privacy risks. Key elements of this program include our Code of Conduct training, policies and procedures for handling personal data, reviews of supplier engagements and projects, processes and tools for responding to privacy rights requests, processes for compliant international transfers of personal data, and response plans for security incidents involving personal data.

We employ a layered approach to protecting our assets, systems, and employees from malicious cyberattacks and actors. Our Global Security Office (GSO) Governance group is responsible for company-wide cybersecurity policies and standard development, cybersecurity education (including regular phishing and other security training), and compliance monitoring. Over the last decade, GSO has developed a mature cybersecurity program that encompasses aggressive vulnerability management, centralized log collection, use of a 24x7 managed security service provider, a robust security incident response process, regular penetration testing, and extensive use of threat management and threat hunting teams.

2022 saw GSO focus on:

- **Augmented Visibility:** Augmented visibility through the addition and deployment of tools including User and Endpoint Behavior Analytics (UEBA), data exfiltration monitoring, regular security controls validation, and central legacy system logs for monitoring, analysis, and forensics.

- **Insider Threat Program:** Creation of the Insider Threat program, tasked with analysis of the above new tools and investigation of anomalous business network activity that could indicate the presence of malicious actors.

- **Compliance Monitoring Subgroup:** Creation of the Compliance Monitoring subgroup within GSO Governance, tasked with regular contact with all critical business functions to ensure compliance with company cybersecurity policies and standards, ranging from the company website deployment standard to requirements for laptop and desktop image secure builds.

To ensure program effectiveness, GSO engages a robust security incident response team (SIRT) for identification, tracking, and remediation of security incidents. The group also documents penetration test results for dissemination to affected system owners for resolution, and all exceptions are documented, regularly reviewed, and retired as appropriate. In addition, GSO Governance has a robust exception process to allow UMG businesses to surface practices and systems that cannot comply with official policy.

As the value and risks of data continue to increase, UMG will further adapt, improve, and strengthen our privacy and cybersecurity governance, processes, and procedures.

‘IN 2002, UMG WAS THE FIRST MAJOR RECORDED MUSIC COMPANY TO CREATE A CONTENT PROTECTION DEPARTMENT, TASKED WITH IDENTIFYING PIRACY AND COUNTERFEITING THREATS, WHILE ALSO DEVELOPING STRATEGIES AND WORKFLOWS TO MITIGATE THEM.’

PIRACY & CONTENT PROTECTION

At UMG, we are fully dedicated to protecting the creative works of our artists and songwriters. In collaboration with global trade organizations, our content protection initiatives span several areas:

- **Pre-Release Protection:** Releases face the highest level of risk during the pre-release phase, when producers and sound engineers collaborate ahead of production. As a result of the COVID-19 pandemic, this collaboration is increasingly taking place remotely, raising the risk of interception and possible leaks. We advise on the best security practices and work with stakeholders, external platforms, and websites to remove leaked content to minimize risks of further unauthorized distribution.

- **Post-Release Protection:** Once content has been released, infringing uploads and posts frequently occur on sites without a license. By identifying and removing these sites, posts, and uploads, we increase each release's value over time. Additionally, as part of this workstream, we identify unlicensed sites that present a commercial opportunity for UMG.

- **Emerging Markets:** As markets grow in emerging territories, so does the risk of leaks in those regions. We work with our international trade organizations to build content protection strategies and workstreams that support the development of emerging music markets. By removing illegal websites, posts, and uploads, we help direct users within emerging markets to legitimate content sources to enhance their listening experience and protect UMG revenue streams.

- **Mobile Applications:** Apps are the new internet. Many markets went directly to mobile apps, and in those that didn't, our target audience has moved to them. We have a dedicated team focused on mobile app piracy that works alongside our trade organizations to detect and remove infringing applications and content globally across all major application stores. We treat mobile application piracy as one of our priority initiatives and have established working groups to coordinate resources and enforce against infringers in this area.

Steered by our content protection department, we engage with internal and external stakeholders to help identify and analyze risks to UMG content, brands, labels, and artists. We also work closely with our digital business team to bring new platforms to the negotiating table. We have developed specialized workflows to remove unauthorized posts and have built bespoke software to collect release information and project rulesets globally, thereby maximizing our labels' marketing and promotional efforts and preserving the integrity of our artists' creations.

Respecting Human Rights Across the Value Chain

The UMG Code of Conduct sets forth the foundation as to how UMG conducts business, including as it relates to human rights. UMG expects all people to be treated with dignity and respect by:

- Never tolerating human rights abuses such as child labor, slavery, human trafficking, and unsafe or unfair work practices at our operations
- Conducting business with partners, suppliers, and customers who share our commitment to protecting human rights
- Speaking up when we see or suspect human rights violations

SUPPLY CHAIN MANAGEMENT

In addition to embedding ESG initiatives within our operations, UMG also engages our supply chain in our efforts. We work with our suppliers to measure and reduce the environmental footprint of our value chain, and we expect all of our partners to share our commitment to protecting human rights.

Our Bravado team, which is responsible for developing and marketing our licensed merchandise, continues to incorporate the UMG Supplier Social Responsibility Policy into its manufacturing agreements. The policy is anchored in internationally recognized standards including the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, the Children's Rights and Business Principles established by UNICEF, the UN Global Compact, and Save the Children principles. In addition to adhering to the Policy, Bravado mandates that all critical manufacturing suppliers are current with social compliance audits and are timely in resolving any corrective actions and certification renewals.

To enhance supplier engagement, 2022 saw Bravado conduct a comprehensive assessment of its sustainable supplier program. In 2023, Bravado will leverage assessment results to incorporate a sustainability Statement of Ambition into its manufacturer agreements, alongside a formalized sustainability survey that will be used to gather information and improve the sourcing process.

We will continue to build upon these practices as we advance UMG's company-wide responsible sourcing program.

REGULATORY & STANDARDS ALIGNMENT

EU Taxonomy

The European Commission has set ambitious sustainability targets with the overarching aim to be a net zero continent by 2050. An important purpose of the EU Action Plan on Sustainable Finance, which supports this ambition, is to steer cash flows toward sustainable investments.

In accordance with European Regulation 2020/852 of June 18, 2020, and 'Besluit bekendmaking niet- financiële informatie' for 2022, UMG is subject to the obligation to disclose the Taxonomy-eligible, non-eligible, and Taxonomy-aligned turnover, capital expenditures, and operating expenditures for economic activities relating to the Taxonomy's climate change mitigation and climate change adaptation environmental objectives.

EU Taxonomy Objectives and Scope

The Taxonomy regulation serves as a standardized and mandatory classification system to determine which economic activities are considered environmentally sustainable in the European Union (EU). The results of this classification are reported annually on a company-specific basis.

Article 9 of the Taxonomy regulation identifies six environmental objectives:

1. Climate change mitigation
2. Climate change adaption
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Regarding the classification of an activity as environmentally sustainable, the Taxonomy regulation distinguishes between Taxonomy-eligible and Taxonomy-aligned activities:

- Activities are **Taxonomy-eligible** if they match the description of the activity included in Delegated Acts supplementing Regulation (EU) 2020/852 of the European Parliament, irrespective of whether they fulfill the alignment criteria.

- Activities are **Taxonomy-aligned** if they fulfill the Taxonomy criteria for the activity. In this case, they make a substantial contribution to the respective environmental objective (fulfill the substantial contribution criteria), cause no significant harm to any of the other environmental objectives (Do No Significant Harm, DNSH), and observe and comply with the minimum social safeguards for human rights, corruption, taxation, and fair competition.

Accounting Policies

The table below provides the basis for the numerator and denominator of EU Taxonomy-eligibility and alignment for Turnover, CapEx, and OpEx as defined in the Disclosure Delegated Act Annex I Section 1.1.

	Turnover	CapEx[1]	OpEx[1]
Numerator	Revenue derived from products and/or services associated with EU Taxonomy-eligible/aligned activities.	Capital expenditures that are related to assets or processes associated with EU Taxonomy-eligible/aligned activities.	Operating expenses that are related to assets or processes associated with EU Taxonomy-eligible/aligned activities.
Denominator	Revenue recorded in the consolidated financial statements under IFRS as per Revenue Accounting policy described in the consolidated financial statements.	Additions to tangible and intangible assets recorded in the consolidated financial statements under IFRS during the financial year, considered before depreciation, amortization, and any re-measurements.	Direct non-capitalized costs recorded in the consolidated financial statements under IFRS that relate to R&D, building renovation measures, short-term leases, maintenance and repair (excluding expenses reported as cost of sales), and any other direct expenditures relating to the day-to-day servicing of PPE assets.

1 None of the capital or operating expenditures relate to a capital plan or purchase of output from Taxonomy-aligned economic activities such as: individual measures enabling target activities to become low-carbon, activities leading to greenhouse gas emissions reductions, or individual renovation measures planned to be implemented and operational within 18 months.

The financial information for calculating the metrics was gathered from UMG's financial reporting system, excluding intercompany transactions. Eligible economic activities identified currently only contribute to the climate change mitigation objective. Still, should they contribute to several environmental objectives, the numerator would only consider the allocation of revenues and expenditures to one environmental objective so that double counting is avoided.

In 2022, UMG did not issue sustainability linked bonds or debt securities to finance Taxonomy alignment activities.

Assessment of Compliance with Regulation (EU) 2020/852

For 2022, UMG assessed eligibility and alignment under each KPI and concludes as follows, with subsequent explanations for each KPI.

- **Turnover**: No revenue activities are eligible or assessed for alignment
- **CapEx**: Taxonomy-eligible CapEx is calculated at 10% and does not meet the substantial contribution criteria, therefore eligible CapEx is not considered aligned
- **OpEx**: Taxonomy OpEx is calculated at less than 1% and is not considered material

Turnover KPI

The basis of the turnover KPI covers UMG business activities as of December 31, 2022. The turnover denominator is reconciled with the revenue recorded in Note 2 of the Consolidated Financial Statements under IFRS as per the revenue accounting policy described in the Notes to the Consolidated Financial Statements. It consists of revenue from Recorded Music, Music Publishing, Merchandising and other.

Management analyzed the EU Taxonomy Regulation text, the EU Taxonomy Climate Delegated Act, including supplemental notices in the form of FAQs, approved by the EU Commission, publications by the Platform on Sustainable Finance, and peer disclosures to test whether these activities should be considered eligible under Arts, Entertainment, and Recreation. Based on the procedures performed, management confirms that the conclusion reached in 2021 continues to apply.

The percentage for Taxonomy-eligible turnover amounts to zero. There are no revenue activities eligible or assessed for alignment. In 2022, UMG's business model did not generate revenue from climate change-related activities.

Nevertheless, UMG is committed to contributing to sustainable business conduct, including measuring and managing climate-related risk, supporting and showcasing artists' climate advocacy efforts, and engaging on and advocating for sustainable business solutions throughout the value chain.

CapEx KPI

Under the Taxonomy Regulation, the total CapEx covers additions to tangible and intangible assets during the financial year considered before depreciation, amortization, and any re-measurements recognized by UMG according to IAS16, IFRS16, and IAS38, including those resulting from revaluations and impairments for the relevant financial year and excluding fair value changes. Total CapEx (denominator) can be reconciled with the sum of the lines 'Additions' disclosed in Note 9 Changes in content assets and other intangibles (excluding royalty advances), Note 10 Property, Plant and Equipment (PPE), and Note 11 Leases within the consolidated financial statements.

For UMG, most of the CapEx relates to additions to catalogs and other intangibles, which are not eligible. The eligible CapEx comes from the capitalized cost of renovations and leased assets (EU Taxonomy activities under climate change mitigation objective: 7.2 Renovation of existing buildings and 7.7 Acquisition and ownership of buildings).

The breakdown by type of CapEx is as follows:

(in millions of euros)	Activity 7.2	Activity 7.7
Additions to PPE, leases, and intangible assets	22	2
Acquisitions through business combinations	-	-
Expenses incurred for Taxonomy-aligned activities and as part of CapEx-plan	-	-
Total Taxonomy-eligible CapEx	**22**	**2**

Compared to 2021, investments in non-eligible CapEx (mainly catalogs) decreased, resulting in 2% higher eligibility.

Alignment Assessment

7.2 Renovation of existing buildings

UMG has assessed the substantial contribution criteria and evaluated that the leasehold improvements conducted to meet UMG's business needs do not qualify as major renovations. UMG concludes it does not meet the substantial contribution criteria for climate change mitigation under activity 7.2.

7.7 Acquisition and ownership of buildings

UMG's properties are located worldwide and an energy performance certificate (EPC), a European certification, is not typically available outside the EU. No eligible properties were located within the EU. UMG developed a validation approach through other internationally recognized certificates and primary energy demand (PED) measures. Two new leases were identified as eligible under the EU Taxonomy criteria representing 0.88% of the total m^2 area of UMG's property portfolio, 3% of UMG's total energy use, and 2% of UMG's global headcount at December 31, 2022. The new leases did not meet the energy performance requirements under substantial contribution criteria for climate change mitigation and are not further assessed for alignment.

OpEx-KPI

The OpEx denominator includes direct, non-capitalized costs for research and development expenses, building renovation measures, short-term leasing, maintenance and repair expenses, and any other direct expenditure relating to the day-to-day servicing of assets of property, plant, and equipment necessary to ensure the continued and effective functioning of such assets.

For UMG, most of the Taxonomy OpEx relates to the maintenance of buildings, assets used in business operations, and short-term leases.

The nature of UMG's business model relates to people and the arts and is not centered around tangible assets. In 2022, UMG calculated Taxonomy OpEx at less than 1% of the total cost of sales. Management concludes that Taxonomy OpEx is not material for UMG's business model. UMG makes use of the materiality exemption for the OpEx KPI as per the Disclosure Delegated Act Annext I, Section 1.1.3.2 and discloses the numerator as equal to zero.

EU Taxonomy – CapEx

EU Taxonomy KPI Disclosure Tables

The KPI tables below summarize the outcome of UMG's Turnover and CapEx assessment. UMG makes use of the materiality exemption, and the OpEx table is excluded.

Economic activities	Code(s)	Absolute CapEx €M	Proportion of CapEx %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	DNSH criteria (Do no significant harm): Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of CapEx, 2022 %
A. Taxonomy-eligible activities																	
A.1 Environmentally sustainable activities (taxonomy-aligned)																	
No taxonomy-aligned activities																	
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%														0%
A.2 Taxonomy-eligible but not taxonomy-aligned activities																	
Renovation of existing buildings	7.2	21	9%														
Acquisition and ownership of buildings	7.7	2	1%														
CapEx of taxonomy-eligible but not taxonomy-aligned activities (A.2)		23	10%														
Total (A.1 + A.2)		23	10%														0%
B. Taxonomy-non-eligible activities																	
CapEx of taxonomy-non-eligible activities (B)		226	90%														
Total (A + B)		249	100%														

Numbers may not sum due to rounding

EU Taxonomy – Turnover

				Substantial contribution criteria						DNSH criteria (Do no significant harm)							
Economic activities	Code(s)	Absolute turnover €M	Proportion of turnover %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover, 2022 %
A. Taxonomy-eligible activities																	
A.1 Taxonomy-aligned activities																	
No taxonomy-aligned activities																	
Turnover of taxonomy-aligned activities) (A.1)		0	0%														
A.2 Taxonomy-eligible but not taxonomy-aligned activities																	
No taxonomy-eligible but not taxonomy-aligned activities																	
Turnover of taxonomy-eligible but not taxonomy-aligned activities (A.2)		0	0%														
Total (A.1 + A.2)		0	0%														
B. Taxonomy-non-eligible activities																	
Turnover of taxonomy-non-eligible activities (B)		10,340	100%														
Total (A + B)		10,340	100%														

Prospects

Not all sustainability efforts are yet recognized under the Taxonomy Regulation. For more information about UMG's sustainability initiatives, including our landmark commitment to support industry transformation and set science-based targets, please see the Environment section of this report.

From fiscal year 2023 onwards, more extensive analysis will be required to determine eligibility and alignment for the remaining four environmental objectives. Management is committed to monitoring EU Taxonomy developments closely and to assessing new requirements as the basis for its annual disclosures.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board to identify the information needed by investors, lenders, and other key financial stakeholders to appropriately assess and price climate-related risks and opportunities. In 2017, the TCFD released climate-related financial disclosure recommendations designed to facilitate the provision of information to support informed capital allocation.

The disclosure recommendations and this disclosure are structured around four thematic areas in which companies operate:

1. Governance
2. Strategy
3. Risk management
4. Metrics and targets

As recommended by TCFD guidance, this year UMG engaged 10 different cross-functional groups with responsibility for or visibility into risk management, production, logistics, procurement, technology, and security among others, for input gathering and review.

This is the company's first TCFD report, in which it discloses the impacts of climate change through a comprehensive climate-related scenario analysis and an assessment of physical and transitional climate-related risks and opportunities.

As this was our first TCFD assessment, the scenario analysis is qualitative in nature, and we will evolve our modeling to include the quantitative and financial impacts of each risk in future years. Please see Environmental Indicators for a summary of the key quantitative environmental indicators currently monitored by UMG. Additional KPIs may be found throughout the Environment section of this report.

Governance

The Board is responsible for ESG oversight and management of ESG-related risks. Compliance with ESG-related regulations is monitored by UMG management and external auditors. The Audit Committee advises and supports the Board in relation to its responsibilities as a supervisor for the integrity of UMG's financial reporting, non-financial reporting, and internal risk management systems. The Audit Committee oversees ESG topics and covers them in its agenda, including climate-related risks, at minimum, on an annual basis.

Management is responsible for assessing and managing climate-related risks and opportunities at several position levels and committees, including the Chief Financial Officer and President of Operations; the Executive Vice President, Controller; the Chief Financial Officer North America; and the Senior Vice President, Global ESG & Sustainability.

In 2022, Management briefed the Board's Audit Committee on ESG, including UMG's carbon emissions for FY2019-2021, UMG's commitment to the Science-Based Target initiative, and on the regulatory environment relevant to the company.

In addition, the Senior Vice President of Global ESG & Sustainability participates in two monthly steering-level meetings as well as recurring business unit working group meetings:

1. Monthly Governance, Risk, and Compliance Committee (GRC) Meetings

The purpose of these meetings is to issue an update on ESG matters, including climate-related issues. The GRC committee meetings are led by the Head of Internal Audit and the committee members are composed of executive leadership across risk management, including:

- General Counsel and EVP, Business & Legal Affairs
- EVP, Chief Compliance Officer and Employment Counsel
- SVP, Chief Security Officer
- SVP, Global Financial Reporting & Analysis
- SVP, IT Strategy
- SVP, Head of People Operations & Systems
- VP, Commercial Insurance & Risk Management
- SVP, Business Affairs & Compliance
- VP, Investor Relations
- VP, Internal Audit & Control Assurance
- SVP, Business & Legal Affairs
- VP, Business & Legal Affairs

2. Monthly ESG Meetings for General Counsel and EVP, Business & Legal Affairs

The group functions as an internal oversight committee and the SVP, Global ESG & Sustainability informs the group on ESG issues to advocate for changes in business-as-usual processes. The SVP, Global ESG & Sustainability also uses these meetings to improve governance and increase awareness around ESG performance improvements, including climate-related issues. The meeting convenes:

- EVP, Chief Compliance Officer and Employment Counsel
- EVP, Chief People and Inclusion Officer
- EVP, Controller
- CFO, North America
- EVP, and SVP, Public Affairs, Public Policy & Government Relations
- EVP, Head of Investor Relations and VP Investor Relations
- SVP, Head of People Experience
- SVP, Business & Legal Affairs and Compliance
- SVP, and VP, Business & Legal Affairs
- EVP, Global Communications

As UMG prepares for implementation of the EU's Corporate Sustainability Reporting Directive, we plan to further integrate the outcomes of the climate scenario analysis into the company's governance structure, policies, and processes.

Strategy

UMG conducted a climate scenario analysis by applying multiple, varying future emissions scenarios to allow a comprehensive exploration of risks and opportunities for the business. Climate scenarios from two leading organizations, the Intergovernmental Panel on Climate Change (IPCC) and the

International Energy Agency (IEA), were selected to provide consistency and comparability in the analyses and disclosure.

For transition risks and opportunities, UMG applied:

- A 1.5◦C emissions scenario (IEA Net Zero by 2050)

For physical risks, UMG applied:

- A low emissions scenario (IPCC SSP1-2.6)
- A mid-range scenario (IPCC SSP2-4.5)
- A worst-case scenario (IPCC SSP5-8.5)

For each scenario, three time horizons were considered:

- Short (2023-2026)
- Medium (2027-2034)
- Long-term (2035-2050)

Climate-related risks were identified and assessed in terms of exposure level and severity. UMG's business resiliency and existing mitigation measures were also considered to determine the business impact for each risk. Risks that have a low impact imply that these are already sufficiently managed as part of existing processes and/or UMG's exposure level is low. Risks identified with higher impact may require additional mitigation or adaptation strategies.

Each risk was assessed based on three criteria:

- Likelihood of occurrence: determined for each time frame, estimated based upon current trajectory of regional and global developments.

- Severity of impact: potential worst-case influence of the hazard independent of likelihood and assuming no relevant business, strategy, and financial planning.

- Existing resiliency measures: based on the current resiliency measures in place including relevant business, strategy, and financial planning.

The levels of impact are defined as follows:

- Low impact: risks are managed as part of existing processes

- Moderate impact: risks require additional adaptation planning and mitigation responses

- High impact: risks are likely to require significant pivot of business strategy or operational protocols

- Critical impact: risks require major pivot to business, strategy, or financial planning

The impact assessment of UMG's risks identified only Low and Moderate-level impacts. There were no risks resulting in High or Critical impact to UMG's operations across all scenarios and time horizons.

Climate-related opportunities were also identified to highlight potential benefits to UMG's profitability and reputation. The list of Transition Risks, Physical Risks, and Climate-related Opportunities may be found in Tables 1, 2, and 3 below, respectively. UMG expects to evolve the scenario analysis to model the financial impacts of each risk in future years.

Table 1 - Transition Risks

		Time Horizon		
Category	Risk	Short	Medium	Long
Policy & Legal	**Increased overall operational costs due to direct GHG emissions-related compliance and other indirect effects of regulations.** The introduction of GHG emissions reporting requirements — such as those proposed by the United States Securities and Exchange Commission, the EU's Non-Financial Reporting Directive (NFRD) and its successor, the Corporate Sustainability Reporting Directive (CSRD), as well as the EU Taxonomy — mandated emissions reductions requirements, and/or mandatory carbon pricing in regions where UMG operates, may result in increased operational costs of data collection or resources required to comply with GHG emissions requirements. Additional indirect policy & regulation may lead to financial and/or reputational consequences — both the EU and the U.S. have proposed laws and/or documentation updates to restrict the use of unsubstantiated claims around product or company sustainability (e.g., greenwashing or greenlabeling), and may require that companies show evidence against standard frameworks or requirements for any claims that are made.	Low	Moderate	Moderate
	Financial, legal, and reputational impacts from any failure or alleged failure to comply with climate-related laws or regulations. Failure to comply with climate-related laws or regulations may result in fines and affect UMG's ability to sell our products and services or operate in specific markets. It may also deteriorate UMG's brand perception. In the EU specifically, penalties for noncompliance include public declaration of noncompliance and administrative financial sanctions.	Low	Low	Low
	Impact on operational efficiencies and financial burden due to regional differences in regulations across regions. Due to the vast nature of the global regulatory landscape, UMG may be required to align with multiple regulations. This may require additional resources and operational adjustments to comply. Specifically, when comparing U.S. and EU regulations, there are varying levels of disclosure related to Scope 3 emissions and differing requirements around materiality assessments. For example, the State of California will be requiring all plastic packaging to be recyclable or compostable by 2032, while the UK instituted a plastic packaging tax, and the EU is requiring increased recyclability of plastic packaging. These differences and potential conflicts in regional regulations pose an operational and financial risk.	Low	Low	Low

Table 1 - Transition Risks

Category	Risk	Time Horizon: Short	Medium	Long
Technology/Market	**Increased costs to transition to more sustainable materials and technologies.** Shifting to increasingly sustainable alternative materials and manufacturing processes for UMG's products may increase capital and operational costs. This shift may arise from changing consumer and artist demand toward sustainable products and may also affect UMG's revenue from physical products. While physical recorded music revenues represent 12% of total UMG revenues, physical product emissions account for a large portion (44%) of total Scope 3 emissions. Physical product emissions include emissions from the manufacturing, logistics, and end-of-life treatment of vinyl, optical, and merchandise products.	Low	Moderate	Moderate
Reputation	**Reputational or legal implications around failure to meet environmental targets or other sustainability goals.** UMG intends to set near-term science-based targets for validation to the Science Based Targets initiative in 2023. Inability to act or lack of progress toward this or other voluntary or mandated sustainability goals, including making misleading claims (e.g., greenwashing or green labeling), may impact shareholder and stakeholder concerns in material ESG topic areas, such as attraction and retention of artists and employees. Customer brand perception may also be adversely affected, which can influence UMG's ability to sell our products and services and may erode shareholder value.	Low	Low	Moderate

Table 2 - Physical Risks

		Time Horizon		
Category	Risk	Short	Medium	Long
Acute/Chronic	**Business interruption and increased CapEx due to physically damaged facilities and production shutdowns.** Climate events and storms may cause business interruption losses and increased CapEx due to physically damaged facilities, personal injuries of employees, interruption of energy power systems, and shutdowns leading to production interruption and inability to respond to demand for an indefinite period.	Low/ Moderate depending on hazards	Low/ Moderate depending on hazards	Low/ Moderate depending on hazards
Acute/Chronic	**Impact on operations due to disruptions in the supply chain.** Disruptions in the supply chain due to climate-related events may impact UMG as we are highly dependent on our suppliers to meet the needs of stakeholders. If significant disruptions occur in the supply chain, UMG may be at risk of revenue loss and reputational issues resulting from stakeholder expectations not being met. Customer brand perception may also be adversely affected which can influence UMG's ability to sell our products and services and may erode shareholder value.	Moderate	Moderate	Moderate
Acute	**Increased operational costs from cooling load.** Higher average temperatures and increased frequency of heat waves as a result of climate change may require an increased need for cooling for the safety of UMG's workforce and preservation of products and equipment, leading to higher operational costs.	Low	Low	Moderate

Table 3 - Transition Opportunities & Time Horizons

Opportunity Category	Opportunity	Time Horizon
Resource Efficiency	**Decreased operational costs from resource efficiency.** Investing in updated assets and technology may result in reduced operational costs, improved energy efficiency of facilities, decreased energy usage, and reduced emissions for UMG. Across our global portfolio, 46% of UMG's direct operations (by m^2 area) are powered by electricity from renewable sources. In addition, UMG actively pursues internationally recognized environmental certifications, such as BREEAM, LEED, and EnergyStar. In 2022, 28% of UMG's direct operations (by m^2 area) have received environmental certifications, with additional certifications currently being pursued as part of leasehold improvement measures in Nashville and Berlin.	Medium to Long term
Energy Source	**Decreased operational costs from switching to renewable energy sources.** Shifting to renewable energy sources such as wind and solar may result in financial savings and emissions reductions. Experts anticipate that renewable energy rates will follow a downward trend as access to renewable generation increases and fossil fuels become more expensive. An internal study of UMG's 2022 electricity costs in North America revealed the average price for electricity differed by only €0.08 per kilowatt hour between standard and renewable electricity.	Short to Long term
Products and Services	**Increased revenue from sustainable products and services.** Investing in and helping to advance sustainability-related research (including finding alternatives to energy intensive distribution modes and products), may allow UMG to get ahead of trends, innovate, and develop more sustainable products and services (e.g., increased regional sourcing, using a higher percentage of reground vinyl, designing eco-friendly packaging, developing an alternative to jewel cases, and circular opportunities to reduce product waste), and drive demand for these products, leading to increased revenues and positive reputational impacts.	Medium to Long term
Market	**Increased revenue from stakeholder engagement and collaboration.** Engaging with stakeholders on sustainability initiatives may increase positive perception of UMG compared to competitors and position our artists and labels as a sustainable and responsible choices. Pursuing collaboration opportunities (with peers, artists, partners, and vendors) may also create more sustainable processes and products for the industry as a whole and help to drive wider behavioral change with respect to the cultural norms, thinking, and politics surrounding climate change.	Medium to Long term
Market	**Decreased supply chain disruption due to sustainability engagement.** Engaging vendors to increase sustainability and transparency through the supply chain may result in decreased emissions and build resilience against potential physical climate risks. For UMG, this may include incorporating sustainability criteria into third party management processes from RFP through contract language and inviting our tier one strategic partners to set science-based targets.	Medium to Long term

The analysis was extended to the value chain by assessing the climate maturity for six key suppliers. Three of these suppliers were observed to be advanced in their climate-risk consideration. Those requiring additional engagement and communication to align with, and support UMG's climate goals were also identified. UMG may model future value chain engagement strategies on successful efforts working with our top suppliers on sustainability topics.

Informed by the first iteration of the climate-scenario analysis, UMG will monitor the evolution of these scenarios to ensure the most up-to-date climate science and actual emissions evolution are considered. This will also enable the evaluation of the associated business impact to be refined and enhanced over time.

Risk Management

Climate-related risks and opportunities are identified and assessed on an ongoing basis as part of UMG's business-as-usual approach. UMG's processes for managing climate-related risks depend on each business unit's operations, funneled through risk management leaders and designed around business resiliency. UMG utilizes direct experience and historical climate trends to inform strategy and mitigation plans across the company. Critical business units, such as Global IT, Universal Music Logistics, and Global Security Office, have unique climate risk management processes and tools integrated into existing frameworks.

As UMG prepares for implementation of the EU's Corporate Sustainability Reporting Directive, we plan to further integrate the outcomes of the climate scenario analysis into the enterprise risk-management process and business continuity planning.

Metrics & Targets

In 2021, UMG made a commitment to set GHG emissions reduction targets in accordance with the Science Based Targets initiative – the leading voluntary framework to set emissions reduction targets.

UMG has calculated our GHG emissions inventory as of 2019 (our base year) across Scope 1, Scope 2, and all relevant upstream and downstream Scope 3 categories. The organization has an ongoing annual commitment to fully quantify and disclose GHG emissions deemed relevant and material to the business.

In 2022, UMG developed a comprehensive GHG Inventory and Management Plan and implemented a new data collection system. Our GHG Management Plan provides a framework by which we will measure the performance and effectiveness of our climate-related risk management efforts in the near- and long-terms.

Our coordinated non-financial reporting system, overseen by UMG's central ESG department and powered by a network of contributors representing the territories in which we operate, serves to measure our GHG impact and an annual ESG survey serves to collect additional ESG commitments and KPIs across the organization.

A summary of KPIs and initiatives can be found in the Environment, Environmental Indicators, and Greenhouse Gas Emissions sections of this report.

The Path Forward

UMG is committed to the continued integration of climate-related risks and opportunities across relevant business operations, strategy, and financial planning areas, and we will evolve our scenario analysis in future years to model the financial impacts of each risk.

We aim to continuously enhance our understanding of the possible impacts of climate-related risks and opportunities to which we are exposed, enabling the company to remain resilient to risks, and positioning UMG to actualize opportunities in the transition to a low-carbon economy.

INFORMATION TABLES

Environmental Indicators

	Unit	2022	2021
Energy Consumption			
Electricity from standard sources	MWh	17,271	13,681
Electricity from renewable sources	MWh	11,345	7,982
Natural gas	MWh GCV	6,022	2,342
Domestic fuel oil	liters	5,335	1,381
Steam used for space heating	MWh	5,734	5,645
Diesel used by the fleet of vehicles	liters	157,014	135,130
Gasoline used by the fleet of vehicles	liters	272,828	250,183
Total energy consumption	GJ	160,026	119,790[1]
Waste			
Professional WEEE produced	metric tonnes	26	20
Professional WEEE recycled or recovered	metric tonnes	24	11
Non-hazardous waste produced	metric tonnes	1,548	1,057
Non-hazardous waste recycled or recovered	metric tonnes	756	761
Merchandise scrap waste produced[2]	metric tonnes	67	43
Merchandise scrap waste recycled or recovered	metric tonnes	59	39
Hazardous waste (excluding WEEE) produced	metric tonnes	1	1

1 Total energy consumption has been restated for 2021 to reflect a correction to the energy conversions from liters to GJ, resulting in a 12% increase from our prior disclosure. The consumption of electricity, natural gas, domestic fuel oil, steam, diesel, and gasoline are converted to GJ and summed for the total energy consumption.

2 This indicator was added in 2022 as part of the expansion of our Scope 3 inventory and includes merchandise scrap waste reported by Bravado U.S.

Greenhouse Gas Emissions

	Unit	2022	2021
Scope 1 greenhouse gas emissions[1]	tCO_2e	2,404	1,668[2]
Mobile sources	tCO_2e	991	888
Stationary sources	tCO_2e	1,413	780
Of which refrigerants	tCO_2e	300	347
Of which domestic fuel oil	tCO_2e	14	4
Of which natural gas	tCO_2e	1,099	429
Scope 2 greenhouse gas emissions (location-based)[3]	tCO_2e	8,721	7,114[4]
Of which electricity (including electricity from renewable sources)	tCO_2e	7,742	6,150
Of which steam	tCO_2e	979	964
Scope 2 greenhouse gas emissions (market-based)[5]	tCO_2e	6,663	5,544[4]
Of which electricity (including electricity from renewable sources)	tCO_2e	5,684	4,580
Of which steam	tCO_2e	979	964
Scope 3 greenhouse gas emissions[6]	tCO_2e	349,753	352,459
Category 1: Purchased goods and services	tCO_2e	249,293	289,585
Category 2: Capital goods	tCO_2e	2,641	5,339
Category 3: Fuel- and energy-related activities	tCO_2e	3,821	3,021
Category 4: Upstream transportation and distribution	tCO_2e	43,678	27,091
Category 5: Waste generated in operations	tCO_2e	388	155
Category 6: Business travel	tCO_2e	35,457	10,222
Category 7: Employee commuting	tCO_2e	11,511	14,529
Category 12: End-of-life treatment of sold products	tCO_2e	2,964	2,517

1 Scope 1 represents greenhouse gas emissions from operations directly controlled by UMG, including those associated with the consumption of natural gas and domestic fuel oil and the leakage of refrigerants during normal air-conditioning operation. The emissions related to transport from consumption from mobile sources, including directly owned vehicles and vehicles on long-term leases over which UMG has operational control.

2 Total Scope 1 emissions have been restated for 2021 to reflect a correction to emission factors for R-401a and diesel fuel.

3 Scope 2 includes indirectly emitted greenhouse gas emissions resulting from the use of purchased electricity, steam, and cooling. Scope 2 location-based reflects the average emissions intensity of grids on which energy consumption occurs.

4 Total Scope 2 emissions (location- and market-based) have been restated for 2021 to reflect a correction for the IEA emission factors in nine countries and updates to our methodology. Our updated methodology for location-based emissions applies U.S. Environmental Protection Agency (EPA) eGrid Factors for the United States and DEFRA Conversion Factors for the United Kingdom. Our updated methodology for market-based emissions applies Green-e Residual Mix Factors for the United States and AIB/RE-DISS Residual Mix Factors for European countries.

5 Scope 2 market-based considers the tariffs and energy mix of UMG's sites which UMG has specifically chosen, taking into consideration the confirmed use of electricity from renewable sources including wind, solar, geothermal, biomass, and hydro through onsite generation and certified renewable electricity through a supplier tariff.

6 Scope 3 includes external indirect greenhouse gas emissions from non-owned sources within UMG's value chain. Scope 3 categories were calculated based on the Greenhouse Gas Protocol, their relevance to UMG, materiality, and data availability. For more information, please see the Non-Financial Reporting Methodology section in this report.

Social Indicators

	2022	% of Total Headcount	2021	% of Total Headcount
Total Headcount	9,992	100%	9,505	100%
Managers	3,456	35%	2,838	30%
Men	4,913	49%	4,771	50%
Of which managers	1,980	20%	1,663	18%
Women	5,079	51%	4,734	50%
Of which managers	1,476	15%	1,175	12%
Permanent employees	9,286	93%	8,785	92%
Temporary employees	706	7%	720	8%
By Geographic Region				
Africa	117	1%	131	2%
North America	3,951	39%	3,542	37%
South and Central America	265	3%	399	4%
Asia-Pacific	1,498	15%	1,441	15%
Europe	4,161	42%	3,992	42%
Arrivals and Departures				
Total hires/new arrivals	2,133	21%	1,751	18%
Of which permanent contracts	1,626	16%	1,224	13%
Total departures	1,614	16%	1,425	15%
Of which permanent contracts	1,295	13%	1,167	12%
Of which resignation	887	9%	730	8%
Of which termination	212	2%	188	2%
Of which redundancy	99	1%	165	2%
Of which retirement	35	0%	32	<1%
Of which other	62	1%	52	1%
Of which temporary contracts	319	3%	258	3%
Career Development				
Number of temporary contracts transformed into permanent contracts	174	2%	87	1%
Training				
Number of staff trained on compliance topics[1]	8,992	90%	8,829	93%
Number of staff trained in soft skills	3,892	39%	3,079	32%
Number of staff trained in hard skills/technical skills	3,721	37%	1,842	19%
Number of staff trained in languages	287	3%	232	2%
Number of staff trained in management	1,471	15%	1,310	14%
Number of staff who have received other types of training	1,420	14%	1,476	16%
Training hours	74,456	-	71,602	-

	2022	% of Total Headcount	2021	% of Total Headcount
Absenteeism				
Number of employees with at least one day absent	2,748	28%	2,240	24%
Days absent – total	46,793	–	44,651	–
Of which for illness	19,740	–	20,547	–
Of which for maternity, paternity and adoption leave	24,257	–	20,768	–
Health and Safety				
Number of workplace accidents resulting in lost work time	10	–	2	–
Number of days lost due to workplace accidents	351	–	5	–
Number of fatal accidents	0	–	0	–
Frequency rate[2]	0.58	–	0.12	–
Severity rate[3]	0.02034	–	0.00031	–
Employee Relations and Collective Bargaining Agreements (France)				
Collective bargaining agreements signed or renewed	4	–	3	–
Of which relating to compensation and employee savings plans	0	–	0	–
Of which relating to working conditions	0	–	2	–
Of which related to other formal agreements	0	–	1	–
Of which related to saving schemes	4	–	0	–
Organization of Working Time				
Full-time employees	9,709	97%	9,215	97%
Part-time employees	283	3%	290	3%

1 Compliance training topics included Code of Conduct, Criminal Finance, Human Trafficking, Insider Trading, Information Security, Preventing Harrassment, Radio Promotion Compliance, and Health and Safety. Training timetables and topics offered are region and/or function specific where needed.

2 The frequency rate is calculated as follows: (Number of workplace accidents resulting in lost work time × 1,000,000) / (Average annual headcount x annual hours actually worked). The frequency rate of workplace accidents is based on the GRI formula for the rate of recordable work-related injuries (GRI 403-9). UMG's formula only measures workplace accidents resulting in lost work time, whereas GRI includes other metrics in the rate, such as death and significant injury or ill health diagnosed by a physician or other licensed healthcare professional. UMG uses a rate based on 1,000,000 hours worked because it is more suitable for larger organizations according to the guidance in GRI 403: Occupational Health and Safety 2018.

3 The severity rate is calculated as follows: (Number of days lost due to workplace accidents x 1,000) / (Average annual headcount x annual hours actually worked). The severity rate formula is based on the definition for lost day rate in GRI 403: Occupational Health and Safety. The severity rate represents the number of days lost due to workplace accidents for 1,000 worked hours.

	2022	2021
Total Staff	9,992	9,505
Global Turnover rate – Permanent Headcount[1]	13.95%	13.28%[2]
Voluntary Turnover rate – Resignations	9.55%	8.31%[3]
Involuntary Turnover rate – Permanent Contracts[4]	4.39%	–
Global Turnover rate - Permanent Headcount, Women[5]	14.13%	–
Voluntary Turnover rate - Permanent Headcount, Women[5]	11.06%	–
Involuntary Turnover rate - Permanent Headcount, Women[5]	3.07%	–

1 UMG updated its turnover rate formulas to align with guidance from the Corporate Sustainability Reporting Directive (CSRD). The global turnover rate is calculated as follows: (Number of departures of employees on permanent contracts in year Y / Total number of employees on permanent contracts as of December 31 in year Y).

2 The global turnover rate has been restated for 2021 to align with guidance from the CSRD. The restated global turnover rate for 2021 is 1% lower than the rate reported in our prior year disclosure.

3 The voluntary turnover rate has been restated for 2021 to align with guidance from the CSRD. The restated voluntary turnover rate for 2021 is 0.1% lower than the rate reported in our prior year disclosure.

4 This indicator was added in 2022 to allow UMG to evaluate the turnover rates by involuntary departures such as dismissal, retirement, and death.

5 These indicators were added in 2022 to allow UMG to evaluate the turnover rates by gender.

VERIFICATION OF NON-FINANCIAL DATA

Non-Financial Reporting Methodology

Reference Frameworks

The reporting of non-financial information is based on national and international references: the European Union (EU) Directive on Non-Financial Reporting (2014/95/EU)[1]; the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard[2]; the guidelines of the Global Reporting Initiative (GRI)[3] and Sustainability Accounting Standards Board (SASB)[4]; and the United Nations Sustainable Development Goals (UN SDGs).

ESG Framework Indicators

The reporting framework for UMG's environmental, social, and governance data is updated annually and ensures the consistent application of definitions and rules for data gathering, validation, and consolidation.

Reporting Scope

Unless otherwise indicated, the data is consolidated as of December 31, 2022. The limited assurance engagement pertains to the consolidated data for 2022 and does not cover 2021 restatements.

The reporting scope was established in accordance with EU Directive 2014/95/EU.

Changes in reporting scope are the result of acquisitions and/or disposals of consolidated business units or site level changes between January 1 and December 31 of the relevant reporting year:

- In the case of a disposal during the reporting year, the data for the company is not recognized in the scope of that year.
- In the case of an acquisition during the reporting year, the data for the company is consolidated into the reporting in the year following its acquisition, unless that company can provide the required information for the current reporting year. The acquired company's headcount is incorporated into the scope of the current reporting year.

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1 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups
2 Greenhouse Gas Protocol Corporate Accounting and Reporting Standard
3 The GRI has not verified the content of this report or the validity of the information provided therein (www.globalreporting.org).
4 SASB Standards guide the disclosure of financially material sustainability information by companies to their investors (https://www.sasb.org/).

SOCIAL REPORTING SCOPE

The social reporting scope for workforce demographics indicators covers all UMG employees, unless otherwise indicated. The scope for non-workforce demographic indicators applies to eight major territories, including Australia, Brazil, France, Germany, Japan, South Africa, the United Kingdom, and the United States, unless otherwise indicated.

ENVIRONMENTAL REPORTING SCOPE

Scope 1 and 2 Emissions

Scope 1 and 2 emissions are calculated for all sites within UMG's operational control. The environmental reporting scope is primarily driven by the status of UMG's owned and leased properties. In 2022, the reporting scope applied to 58 countries and 149 properties.

Properties in scope for environmental reporting include UMG offices and studios with active leases in 2022. Properties are considered out of scope if they meet one of the following criteria: the property closed prior to 2022 and UMG does not have an active lease; the property is under construction; or the property is land.

Scope 3 Emissions

Scope 3 emissions are consolidated using the operational control approach. Scope 3 categories were calculated based on the GHG Protocol Corporate Standard, their relevance to UMG, materiality, and data availability.

UMG's approach was to collect global data for Scope 3 emissions, where available. In cases where global data was not easily obtained, UMG reduced its scope to cover its top five territories (United States, United Kingdom, France, Germany, and Japan), which represent material revenue for UMG's operating companies. UMG's boundary was set to include its three core business segments (Recorded Music, Music Publishing, and Merchandising) and core physical products (physical audio and merchandise).

The table below indicates the change in UMG's Scope 3 GHG Inventory compared with the prior year. During 2022, UMG pursued the normalization of its emissions accounting treatment starting with our 2019 base year. This results in a restatement of prior public reporting for those years and an enhanced, comprehensive accounting policy to support the basis for target-setting:

Scope 3 Inventory

Scope 3 Category	2022	2021
Category 1 – Purchased Goods and Services	Included	Included
Category 2 - Capital Goods	Included	Not Included
Category 3 - Fuel and Energy-related Activities	Included	Not Included
Category 4 - Upstream Transportation and Distribution	Included	Not Included
Category 5 - Waste Generated in Operations	Included	Included
Category 6 - Business Travel	Included	Included
Category 7 - Employee Commuting	Included	Not Included
Category 12 - End-of-Life Treatment of Sold Products	Included	Not Included

Scope 3 Exclusions

Scope 3 Category	Relevance to UMG
Category 8 - Upstream Leased Assets	Not relevant
Category 9 – Downstream Transportation and Distribution	Relevant - will be added in 2023
Category 10 - Processing of Sold Products	Not relevant
Category 11 - Use of Sold Products	Not relevant
Category 13 - Downstream Leased Assets	Not relevant
Category 14 - Franchises	Not relevant
Category 15 - Investments	Relevant - will be added in 2023

The table above contains the Scope 3 categories that are currently excluded from UMG's GHG Inventory. While UMG recognizes the impact of digital streaming and the live sector within the music ecosystem, these are not included within UMG’s GHG Inventory boundary.

The GHG Protocol guidance for Category 11 - Use of Sold Products, along with expert guidance UMG received, indicate that emissions associated with digital streaming are considered indirect use phase emissions of UMG's products and are therefore optional to calculate as part of our GHG Inventory. Additionally, indirect emissions cannot be considered when setting science-based targets per the Science Based Targets initiative criteria.

We expect to study the impact of live sector further in 2023 to understand whether any emissions related to artist performances should be evaluated for inclusion in our boundary.

Methodological Details and Limits in Relation to Indicators

Environmental, social, and governance indicators may generally reflect methodological limits due to the lack of harmonization of international and national definitions and legislation, or due to the qualitative and therefore subjective nature of certain data. Our sector lacks strong, common definitions and standards. In some cases, given the uniqueness of our products, we developed our own criteria under the guidance of our experts.

SOCIAL INDICATORS (WORKFORCE DEMOGRAPHICS)

Headcount

Headcount-related indicators are expressed in number of employees at December 31.

Turnover

In anticipation of the change in European standards from EU Directive 2014/95/EU to the Corporate Sustainability Reporting Directive (CSRD), UMG updated its turnover rate formulas to align with guidance from the CSRD[1]. The resulting change is a 1% decrease in the global turnover rate and a 0.1% decrease in the voluntary turnover rate compared to the rates reported in our prior year disclosure.

Turnover Rate	2021 Restated Rate	2021 Prior Year Disclosure
Global Turnover	13.28%	14.33%[1]
Voluntary Turnover	8.31%	8.44%[2]

1 The global turnover rate was calculated using the following formula in our prior year disclosure: [(Number of people hired on permanent contracts in year Y + Number of departures of people on permanent contracts in year Y + Number of temporary contracts converted to permanent contracts) / 2] / Total employees on permanent contracts at December 31 in year Y-1.

2 The voluntary turnover rate was calculated using the following formula in our prior year disclosure: Number of resignations of people on permanent contracts in year Y / Total employees on permanent contracts at December 31 in year Y-1.

Global turnover rate

Under the CSRD guidance, the global turnover rate numerator is the aggregate of the number of employees on permanent contracts who leave voluntarily or due to dismissal, retirement, or death in service. The denominator of the rate is the total number of employees on permanent contracts during the reporting period.

The global turnover rate is calculated as follows:

Number of departures of employees on permanent contracts in year Y / Total number of employees on permanent contracts as of December 31 in year Y.

Voluntary turnover rate

The voluntary turnover rate allows UMG to consider departures resulting from the resignation of permanent employees.

The voluntary turnover rate is calculated as follows:

Number of resignations of employees on permanent contracts in year Y / Total number of employees on permanent contracts at December 31 in year Y.

[1] See page 38 of the Draft European Sustainability Reporting Standards (ESRS) S1 Own workforce.

Involuntary turnover rate
The involuntary turnover rate allows UMG to consider departures resulting from involuntary separations of permanent employees.

The involuntary turnover rate is calculated as follows:

Number of involuntary separations (such as dismissal, retirement, or death in service) of employees on permanent contracts in year Y / Total number of employees on permanent contracts as of December 31 in year Y .

ENVIRONMENTAL INDICATORS

Greenhouse gas emissions are calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard and reported into three scopes:

- **Scope 1:** Represents greenhouse gas emissions from operations directly controlled by UMG, including those associated with the consumption of natural gas and domestic heating fuel and the leakage of refrigerants during normal air-conditioning operation. The emissions related to transport from consumption from mobile sources, including directly owned vehicles and vehicles on long-term leases over which UMG has operational control.

- **Scope 2:** Includes indirect greenhouse gas emissions resulting from the use of electricity, steam, and cooling. As per the GHG Protocol, UMG considers both location-based and market-based Scope 2 emissions. Scope 2 location-based reflects the average emissions intensity of grids on which energy consumption occurs. Scope 2 market-based considers the tariffs and energy mix of UMG's sites which UMG has specifically chosen, taking into consideration the confirmed use of electricity from renewable sources including wind, solar, geothermal, biomass, and hydro through onsite generation and certified renewable electricity through a supplier tariff.

- **Scope 3:** Includes external indirect greenhouse gas emissions from non-owned sources within UMG's value chain. These include emissions from purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, and end-of-life treatment of sold products.

Greenhouse gas emissions are calculated using emission factors that are the most accurate and available at the time of reporting. Emission factor sources include:

- **Scope 1:** Department for Business, Energy & Industrial Strategy (BEIS) Conversion Factors[1]

- **Scope 2 (Location-based):** IEA Emission Factors[2], United States Environmental Protection Agency (EPA) eGrid Factors[3], and BEIS Conversion Factors

[1] Department for Business, Energy & Industrial Strategy (BEIS) Conversion Factors
[2] IEA Emission Factors
[3] United States Environmental Protection Agency (EPA) eGrid Factors

- **Scope 2 (Market-based):** IEA Emission Factors, BEIS Conversion Factors, AIB/RE-DISS Residual Mix Factors[4], and Green-e Residual Mix Factors[5]
- **Scope 3:** Comprehensive Environmental Data Archive (CEDA) environmentally extended input-output (EEIO) database[6], ecoinvent Lifecycle Analysis (LCA) database[7], and BEIS Conversion Factors, among other sources

Data is primarily sourced internally within UMG. Where possible, primary data (mass, distance, energy) has been collected directly from suppliers or internal business units within UMG. Energy consumption is converted into CO_2 equivalents using recognized emissions factors from the indicated databases. Where primary data is not available, secondary data (spend data, extrapolations, benchmarks) are used to calculate greenhouse gas emissions.

Due to the timing in 2022, data is requested for Q1-Q3 and estimates are applied for Q4 to allow for data validation, consolidation, and reporting. Estimation of emissions follows one of the two methodologies:

1. **Historical Average**: uses quarterly activity data for previous years (2019-2021) to calculate the historical average ratio of total Q1-Q3 to Q4 activity data. This ratio is then applied to the Q1-Q3 activity data in 2022 to estimate.
2. **Current Year Average**: estimates Q4 activity volume using the average (mean) quarterly activity volume for Q1-Q3.

The Historical Average method is preferred because it takes into account seasonal differences in business activity. However, this methodology is only feasible if activity data is available at quarterly granularity (at a minimum) in previous years.

If the Historical Average methodology is feasible, the calculated average ratio should take into account data from as many previous years as possible, with the average ratio weighted by total activity per year. For emissions sources where previous year data is not available at quarterly granularity, a Current Year Average is applied.

Reporting Tools, Consolidation, and Controls

In 2022, UMG implemented a new global data collection and consolidation platform for environmental and social demographics reporting. The platform is designed to include mathematical coherency checks to ensure data consistency and flag any potentially abnormal variation during the input process.

Each reporting entity conducts an initial validation and consistency check of their submission. The Environmental, Social & Governance (ESG) department performs a second coherency check and validation during the consolidation process. Lastly, a trend analysis is conducted, sense checked with business leaders, and variance explanations are documented.

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[4] AIB/RE-DISS Residual Mix Factors
[5] Green-e Residual Mix Factors
[6] Comprehensive Environmental Data Archive (CEDA) environmentally extended input-output (EEIO) database
[7] ecoinvent Lifecycle Analysis (LCA) database

Limited Assurance Report of the Independent Auditor on Universal Music Group's Selected Indicators

To: The Shareholders and Non-Executive Directors of Universal Music Group N.V.

Our Conclusion

We have performed a limited assurance engagement on selected indicators in the annual report for the year 2022 of Universal Music Group N.V. at Hilversum.

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators are not prepared, in all material respects, in accordance with the reporting criteria as included in the 'Reporting Criteria' section of our report.

The selected indicators are disclosed in the Information Tables section of the annual report and consist of:

- "Global turnover rate"
- "Voluntary turnover rate"
- "Greenhouse gas emissions (Scope 1, Scope 2 location-based and Scope 2 market-based, and Scope 3 categories 1, 2, 3, 4, 5, 6, 7, and 12)"

Basis for our Conclusion

We have performed our limited assurance engagement on the selected indicators in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities under this standard are further described in the 'Our Responsibilities for the Assurance Engagement on the Selected Indicators' section of our report.

We are independent of Universal Music Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch code of ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting Criteria

The reporting criteria used for the preparation of the selected indicators are the reporting criteria developed by Universal Music Group N.V. and disclosed in the Non-Financial Reporting Methodology section of the annual report.

The absence of an established practice on which to draw, evaluate, and measure the selected indicators allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Consequently, the selected indicators need to be read and understood together with the reporting criteria used.

Unassured Corresponding Information
No assurance engagement has been performed on the selected indicator: "Scope 3 categories 1, 2, 3, 4, 5, 6, 7, and 12" for the period prior to 2022. Consequently, the corresponding selected indicator and thereto related disclosures for the period prior to 2022 is not assured.

Limitations to the Scope of our Assurance Engagement
Our assurance engagement is restricted to the selected indicators. We have not performed assurance procedures on any other information as included in the annual report in light of this engagement.

The references to external sources or websites are not part of our assurance engagement on the selected indicators. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Responsibilities of the Board of Directors and the Non-Executive Directors for the Selected Indicators
The Board of Directors is responsible for the preparation of the selected indicators in accordance with the reporting criteria as included in the 'Reporting Criteria' section of our report. The Board of Directors is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting. In this context, the Board of Directors is responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the Board of Directors regarding the scope of the selected indicators and the reporting policy are summarized in the Non-Financial Reporting Methodology section of the annual report.

Furthermore, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the selected indicators that are free from material misstatement, whether due to error or fraud.

The Non-Executive Directors are responsible for overseeing the reporting process of the selected indicators of Universal Music Group N.V.

Our Responsibilities for the Assurance Engagement on the Selected Indicators
Our responsibility is to plan and perform our limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and other relevant legal and regulatory requirements.

The procedures of our limited assurance engagement included, among others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant sustainability themes and issues, relevant laws and regulations, and the characteristics of the company as far as relevant to the selected indicators.
- Evaluating the appropriateness of the reporting criteria used, their consistent application, and related disclosures on the selected indicators. This includes the evaluation of the reasonableness of estimates made by the Board of Directors.
- Obtaining through inquiries a general understanding of internal control, reporting processes, and information systems relevant to the preparation of the selected indicators, without obtaining evidence about implementation or testing the operating effectiveness of controls.
- Identifying areas of the selected indicators with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the selected indicators responsive to this risk analysis. These further assurance procedures consisted, among others, of:
    - Interviewing the Board of Directors and relevant staff at the corporate and business level responsible for the strategy, policy, and results relating to the selected indicators.
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the selected indicators.
    - Obtaining assurance information that the selected indicators reconcile with underlying records of the company.
    - Reviewing, on a limited test basis, relevant internal and external documentation.
    - Performing an analytical review of the data and trends.

Amsterdam, 30 March 2023

Ernst & Young Accountants LLP

R.T.H. Wortelboer

NON-EXECUTIVE DIRECTORS REPORT

REPORT OF THE NON-EXECUTIVE DIRECTORS

As the Non-Executive Directors, we are responsible for supervising the Executive Directors' policy and performance of duties and the Company's general course of affairs and business, and rendering advice and direction to the Executive Directors. In performing our duties, we are guided by the Company's corporate interests, which extend to the interests of all of the Company's stakeholders, including the Shareholders and the Company's creditors, customers and employees.

Composition

The Board has a one-tier board structure and currently comprises two Executive Directors and eleven Non-Executive Directors, four of whom, being Sherry Lansing, Bill Ackman, Cyrille Bolloré and Nicole Avant, were appointed to the Board by the General Meeting on May 12, 2022:

Name	Function
Sir Lucian Grainge	Executive Director, Chairman and Chief Executive Officer
Vincent Vallejo	Executive Director, Deputy Chief Executive Officer
Sherry Lansing	Non-Executive Director, Chairman of the Board
Anna Jones	Non-Executive Director, Vice-Chairman of the Board
Antoine Fiévet	Non-Executive Director
Bill Ackman	Non-Executive Director
Cathia Lawson-Hall	Non-Executive Director
Cyrille Bolloré	Non-Executive Director
James Mitchell	Non-Executive Director
Luc van Os	Non-Executive Director
Manning Doherty	Non-Executive Director
Margaret Frerejean-Taittinger	Non-Executive Director
Nicole Avant	Non-Executive Director

Judy Craymer CBE acted as Non-Executive Director and Chairman of the Board until January 10, 2023, on which date she decided to resign from the Board to focus on her activities as a film and theater producer.

All of the Executive Directors and Non-Executive Directors were appointed as such by the General Meeting for a period until the close of the annual General Meeting to be held in 2024.

Diversity

The elements of a diverse composition are laid down in the Diversity Policy as per best practice provision 2.1.5 of the Code as well as in the Profile as per best practice provision 2.1.1 of the Code. In accordance with the Diversity Policy, the Non-Executive Directors are committed to ensuring that at least one third of the Board consists of women and at least one third of the Board consists of men, as well as to increasing the nationality, ethnicity and age diversity. The

Non-Executive Directors are further committed to ensuring that the composition of the Board has a good balance in terms of skills, knowledge, experience, background and perspectives and to considering candidates from a wide pool, including candidates with no prior publicly listed company experience.

The elements as laid down in the Diversity Policy and Profile are all important drivers in the selection procedure and will all be considered when filling a vacancy. However, when filling a vacancy, the qualifications of a candidate and the requirements for the position shall in principle always prevail.

The Non-Executive Directors consider that their current composition is diverse in terms of skills, knowledge, experience, background and perspectives but also in terms of gender, nationality and age. There are six male and five female Non-Executive Directors, six nationalities (American, British, Canadian, Dutch, French and Togolese) and age ranges between 37 and 78.

Independence

The Non-Executive Directors endorse the principle that their composition shall be such that they are able to act independently and critically vis-à-vis each other, the Executive Directors and any particular interests.

Given the recentness of the Listing, the Non-Executive Directors are of the opinion that, in the context of preserving the continuity of UMG and ensuring a focus on long-term value creation, it is in the Company's corporate interests and in the interests of the Company's stakeholders that among the Non-Executive Directors, there is a fair and adequate representation of persons who are affiliated with or representing a (group of affiliated) shareholder(s) holding, directly or indirectly, more than 10% of the issued share capital of the Company, even if those persons are considered non-independent within the meaning of best practice provision 2.1.8 of the Code.

Currently, five out of eleven Non-Executive Directors are considered non-independent on the aforementioned basis, being:

- Bill Ackman to whom more than 10% of the issued share capital of the Company is attributed by virtue of his control over Pershing Square Capital Management L.P., i.e. the investment adviser to the collective investment vehicles through which that shareholding is held.
- Cathia Lawson-Hall who is a member of the supervisory board of Vivendi SE which holds more than 10% of the issued share capital of the Company.
- Cyrille Bolloré who is the Chairman and Chief Executive Officer of the Bolloré Group, one of the Company's largest shareholders, as well as a member of the supervisory board of Vivendi SE which holds more than 10% of the issued share capital of the Company.
- James Mitchell who is a representative of the Tencent-led consortium which holds approximately 20% of the issued share capital of the Company.
- Manning Doherty who is a representative of the Tencent-led consortium which holds approximately 20% of the issued share capital of the Company.

In addition, three out of eleven Non-Executive Directors (two of whom are the same as above) are considered non-independent on the basis of being former Executive Directors, being:

- James Mitchell who was an Executive Director in the period from February 26, 2021 until September 20, 2021.
- Luc van Os who was an Executive Director in the period from December 4, 2020 until September 20, 2021.

- Manning Doherty who was an Executive Director in the period from February 26, 2021 until September 20, 2021.

Accordingly, six out of eleven Non-Executive Directors are considered non-independent, however, the other Non-Executive Directors, who are independent, including the Chairman of the Board, are comfortable that Bill Ackman, Cathia Lawson-Hall, Cyrille Bolloré, James Mitchell, Luc van Os and Manning Doherty are nonetheless able to act independently and critically.

Remuneration

On September 20, 2021, the General Meeting adopted the remuneration policy for the Non-Executive Directors. The remuneration of the Non-Executive Directors shall be determined by the Board with due observance of the remuneration policy. The remuneration policy is available on the investor relations part of the UMG website. In the Remuneration report, details of the individual remuneration of the Non-Executive Directors are set out.

Board meetings and activities

Meetings

During 2022, the Board held six meetings, three of which were in-person meetings and three of which took place via video calls. The meetings were attended by both the Executive Directors and the Non-Executive Directors as well as by several of the corporate executives and other senior executives, as appropriate.

Among the items discussed were the annual report, the semi-annual financial report, the quarterly results, the accompanying press releases, the external auditors' findings and audit report, the reappointment of the external auditors, the external auditors' engagement, the (final and interim) dividend proposals, the annual budget and business plan, the 2022 UMG Global Equity Plan and the implementation thereof, the remuneration of the Executive Directors, the nomination for appointment of the four new Non-Executive Directors, being Sherry Lansing, Bill Ackman, Cyrille Bolloré and Nicole Avant, to the Board, business updates, the strategy, investor relations updates, committee updates, the refinancing of the Company, including by means of issuances under the Negotiable European Commercial Paper program and the Euro Medium Term Note program, the capital allocation and any related party transactions.

Long-term value creation

The Board, who is responsible for developing a view on long-term value creation by the Company and for formulating a strategy in line with this view, regularly discussed the Company's strategy and also spent two full days at the Company's operational headquarters in Santa Monica, United States of America, to spend time with some of UMG's senior executives to learn more about the music business. In addition, the Board is responsible for approving the annual budget as well as any transaction with a value in excess of €300,000,000.

Education

Shortly following their appointment to the Board by the General Meeting on May 12, 2022, the four new Non-Executive Directors attended an educational session on their responsibilities as directors of a public limited liability company incorporated under the laws of the Netherlands, which shares are admitted to listing on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. In addition, all new committee members were able to attend an educational session on the relevant committee's main responsibilities under Dutch law and the regulations of the relevant committee.

Evaluation

In the second half of 2022, the Board, under the direction of the Nomination Committee, conducted a self-assessment to evaluate its own functioning as well as the functioning of the various committees and the individual Directors. As part of the assessment, the Board completed an evaluation form, covering topics such as information provision, frequency and quality of meetings, Board and committee compositions, functioning of the Board, the various committees and the individual Directors and access to the Company secretariat. The results and feedback of the assessment were first discussed during a Nomination Committee meeting and then shared with the Board, outside the presence of the Executive Directors, in the beginning of 2023. Where considered necessary, or of added value, the chair of the Nomination Committee also had one-on-one sessions with the individual Directors to discuss their individual functioning. With the results and feedback, the Board identified opportunities for growth and improvement as well as specific educational and information needs.

Share positions

According to the AFM register, the following Executive Directors and Non-Executive Directors held a capital interest and/or voting rights in the Company as at December 31, 2022:

Shareholder	Notification date	Capital interest	Voting rights
Sir Lucian Grainge	September 23, 2021	11,499	11,499
Vincent Vallejo	December 14, 2022	99,270	91,770
Bill Ackman	November 1, 2022	186,274,786	186,274,786[1]
Cathia Lawson-Hall	September 23, 2021	2,356	2,356
Cyrille Bolloré	May 12, 2022	24,000	24,000
Luc van Os	September 23, 2021	105	105

1 Held via PS VII Master L.P.

Committees

The Board has appointed from among its Non-Executive Directors three committees to assist it in discharging its responsibilities: the Audit Committee, the Remuneration Committee and the Nomination Committee. Without prejudice to the collegiate responsibility of the Board, the duty of these committees is to prepare the decision-making of the Board.

The Board has drawn up regulations for each committee, setting out the role and responsibilities of the committee concerned, its composition and size and the manner in which its meetings should be held. These regulations are available on the investor relations part of the UMG website.

The current composition of the committees is detailed in the following table:

	Audit Committee	Remuneration Committee	Nomination Committee
Sherry Lansing		Member	Member
Anna Jones	Member	Chair	
Antoine Fiévet	Member		
Bill Ackman			Member
Cathia Lawson-Hall	Member		
Cyrille Bolloré		Member	
James Mitchell		Member	
Luc van Os	Chair		
Manning Doherty			Member
Margaret Frerejean-Taittinger	Member		Chair
Nicole Avant			Member

Judy Craymer CBE was a member of the Remuneration Committee and Nomination Committee until January 10, 2023, on which date she decided to resign from the Board.

The Audit Committee

The Audit Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Audit Committee's main responsibilities include: (i) supervising and monitoring, and discussing with and advising the Board on, the effectiveness of the design and operation of the internal risk management and control systems and supervising the effect of the Code of Conduct, (ii) supervising the preparation and submission of financial information by the Company, (iii) supervising the compliance with recommendations and observations of the internal auditor and external auditors, (iv) supervising the functioning of the internal audit department, (v) supervising the Company's tax policy, (vi) supervising the financing of the Company, (vii) supervising the applications of information and communication technology, including risks relating to cybersecurity, (viii) maintaining frequent contact and supervising the relationship with the external auditors, (ix) implementing the procedure for the selection of the external auditors and submitting a recommendation to the Non-Executive Directors for the (re)appointment or dismissal of the external auditors by the General Meeting, (x) informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process, (xi) monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity, (xii) determining whether, and if so, how the external auditors shall be involved in the content and publication of financial reports other than the financial statements, (xiii) issuing a recommendation on the appointment and dismissal of the senior internal auditor, (xiv) submitting a proposal to the Board for the external auditors' engagement to audit the financial statements, and (xv) considering and, where appropriate, approving the (semi-annual) financial statements, the annual budget and major capital expenditures of the Company.

In 2022, the Audit Committee held five meetings, two of which were in-person meetings and three of which took place via video calls. The meetings were attended by the Audit Committee members as well as by the Chief Financial Officer, the Controller, the Head of Internal Audit, the external auditors and other corporate and/or senior executives, as appropriate.

Among the items discussed were the annual report, the semi-annual financial report, the quarterly results, the accompanying press releases, the external auditors' findings and audit report, the reappointment of the external auditors, the external auditors' engagement, the external audit plan, the (final and interim) dividend proposals, the financing of the Company, the annual budget and business plan, the internal audit and internal control departments, the internal audit plans, the annual risk assessment, compliance, information and communication technology and ESG. Outside of its official meetings, the Audit Committee also regularly discussed the auditor selection procedure which was organized by the Company, under the responsibility of the Audit Committee, in the second half of 2022 and which was led by a selection committee designated by the Audit Committee for such purpose.

In addition, the chair of the Audit Committee had regular update meetings with the Chief Financial Officer, the Head of Internal Audit, other corporate and/or senior executives within the Company and the external auditors.

The Audit Committee members attended an educational session on the Audit Committee's main responsibilities under Dutch law and the regulations of the Audit Committee.

Within the Audit Committee, Cathia Lawson-Hall is considered to have competence in accounting and/or auditing and the Audit Committee members as a whole are considered to have competence relevant to the sector in which the Company operates.

The Remuneration Committee

The Remuneration Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making regarding the determination of the remuneration of the individual Executive Directors and Non-Executive Directors, with due observance of the remuneration policies for the Executive Directors and Non-Executive Directors, respectively, and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Remuneration Committee's main responsibilities include: (i) at least every four years submitting a proposal to the Board for the remuneration policies to be pursued and (ii) annually preparing the remuneration report, to be tabled at the annual General Meeting.

In 2022, the Remuneration Committee held four meetings, two of which were in-person meetings and two of which took place via video calls. The meetings were attended by the Remuneration Committee members as well as by the Chief People and Inclusion Officer and other corporate and/or senior executives, as appropriate.

Among the items discussed were the 2022 UMG Global Equity Plan and the implementation thereof, the remuneration report and the remuneration of the Executive Directors and Non-Executive Directors.

In addition, the chair of the Remuneration Committee had regular update meetings with the Chief People and Inclusion Officer and other corporate and/or senior executives within the Company.

The Nomination Committee

The Nomination Committee advises the Board in relation to its responsibilities, undertakes preparatory work for the Board's decision-making and prepares resolutions of the Board in relation thereto.

In addition to the foregoing, the Nomination Committee's main responsibilities include: (i) drawing up selection criteria and appointment procedures for the Directors, (ii) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Non-Executive Directors, (iii) periodically assessing the functioning of the individual Directors and the Board as a whole, and reporting on this to the Board, (iv) making recommendations for (re)appointments of Directors and (v) supervising the policy of the Board on the selection criteria and appointment procedures for senior management.

In 2022, the Nomination Committee held four meetings, two of which were in-person meetings and two of which took place via video calls. The meetings were attended by the Nomination Committee members as well as by the General Counsel and other corporate and/or senior executives, as appropriate.

Among the items discussed were the nomination for appointment of the four new Non-Executive Directors, being Sherry Lansing, Bill Ackman, Cyrille Bolloré and Nicole Avant, to the Board, the composition of the committees, (the results and feedback of the assessment of) the functioning of the Board, the various committees and the individual Directors and the retirement schedule and succession planning.

Attendance and availability

The table below provides an overview of the attendance rate of the individual Non-Executive Directors at the Board and committee meetings. Attendance is expressed as a number of meetings attended out of the number of meetings held during 2022.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Judy Craymer CBE	6 - 6		4 - 4	3 - 4
Sherry Lansing	2 - 2		2 - 2	
Anna Jones	5 - 6	5 - 5	4 - 4	
Antoine Fiévet	4 - 6	1 - 2	2 - 2	
Bill Ackman	2 - 2			2 - 2
Cathia Lawson-Hall	6 - 6	5 - 5	2 - 2	
Cyrille Bolloré	2 - 2		2 - 2	
James Mitchell	6 - 6		4 - 4	2 - 2
Luc van Os	6 - 6	5 - 5		2 - 2
Manning Doherty	6 - 6			2 - 2
Margaret Frerejean-Taittinger	6 - 6	2 - 2	2 - 2	4 - 4
Nicole Avant	2 - 2			2 - 2

All Non-Executive Directors have had sufficient time available for their responsibilities as evidenced by their prompt responses to e-mails, their availability for meetings, educational sessions and calls and their well-preparedness for and active participation in such meetings, sessions and calls. Where a Non-Executive Director was not available for a particular meeting, he or she was given the opportunity to provide input beforehand and was updated afterwards. At all Board and committee meetings, there was a quorum present, such in accordance with the Board Regulations or the regulations of the committees.

Appreciation

As the Non-Executive Directors, we wish to express our gratitude to the Executive Directors and all UMG employees for their hard work and dedication in 2022.

The Non-Executive Directors
Sherry Lansing
Anna Jones
Antoine Fiévet
Bill Ackman
Cathia Lawson-Hall
Cyrille Bolloré
James Mitchell
Luc van Os
Manning Doherty
Margaret Frerejean-Taittinger
Nicole Avant

Hilversum, March 30, 2023

REMUNERATION REPORT

This remuneration report offers insight into the remuneration provided to the Company's Executive Directors and Non-Executive Directors during 2022.

The General Meeting on September 20, 2021 adopted the remuneration policies for the Executive Directors (the **Executive Directors' Remuneration Policy**) and Non-Executive Directors (the **Non-Executive Directors' Remuneration Policy**), outlining the framework to determine the remuneration for the Executive Directors and Non-Executive Directors, respectively. Where, however, legacy arrangements are in place for the Executive Directors prior to being appointed to the Board, the Executive Directors' Remuneration Policy allows these arrangements to be respected. For 2022, the remuneration of the Executive Directors continues to reflect the legacy arrangements contractually agreed with each Executive Director prior to being appointed to the Board. To further clarify, the Board had no input on such legacy arrangements.

This remuneration report has been prepared in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code. It will be presented for an advisory vote to shareholders at the annual General Meeting to be held on May 11, 2023.

The Remuneration for the Executive Directors in 2022

In 2022, the Executive Directors were as follows:

Executive Director	Position
Sir Lucian Grainge	Chairman and Chief Executive Officer (CEO)
Vincent Vallejo	Deputy Chief Executive Officer, Corporate

Executive Directors' Remuneration Policy

Pursuant to the Executive Directors' Remuneration Policy, the Board, at the recommendation of the Remuneration Committee, determines the remuneration of the Executive Directors. The remuneration structure for Executive Directors consists of the following elements:

- Base salary
- Short-term incentives
- Long-term incentives
- Retirement and other post-employment benefits
- Benefits

The Executive Directors' Remuneration Policy provides a compensation framework that allows the Company to attract, motivate and retain highly qualified Executive Directors and to incentivize and reward long-term, sustainable growth of the Company. The compensation offered under the Executive Directors' Remuneration Policy provides for periodic re-benchmarking against peer companies, considering compensation levels and trends in the market as well as relevant remuneration standards. As explained above, however, the current Executive Directors' remuneration continues to be subject to legacy arrangements contractually agreed before the Listing and the adoption of the Executive Directors' Remuneration Policy and, therefore, when setting their remuneration for 2022, these legacy arrangements were applied. As a result of the continuing legacy arrangements, the Board did not re-benchmark the remuneration of the Executive Directors in 2022.

Summary Overview of the Key Remuneration Elements and Approach to Remuneration for 2022

The table below sets out the key elements of the remuneration provided in the Executive Directors' Remuneration Policy versus the remuneration approach in 2022.

Element	Key remuneration elements per Executive Directors' Remuneration Policy	Remuneration approach for 2022
Base salary	Fixed level of cash compensation, aligned with the Executive Director's experience and scope of responsibilities	Pursuant to each Executive Director's contract, base salaries are as follows: • Chairman and CEO: €15,412,990 • Deputy CEO: €960,000
Short-term incentive (STI)	Variable compensation paid annually in cash, shares, or a combination thereof, subject to the achievement of annually pre-established objectives to ensure executive alignment with, and motivate achievement of, the annual business priorities for the applicable year Target STI of up to 300% of base salary, maximum STI of 200% of target	STI for Executive Directors in 2022 was based on STI structure agreed in their pre-Listing contracts with the Company's previous owner, Vivendi, as follows: • Chairman and CEO: (i) an annual cash bonus equal to 1% of UMG's EBITA for the relevant financial year; and (ii) a contingent cash bonus of €10,275,327, subject to UMG meeting specific financial and non-financial targets • Deputy CEO: target cash bonus of 50% of annual base salary with a minimum payout of 0% and a maximum payout potential of two times the target bonus amount, subject to the achievement of specific financial targets
Long-term incentive (LTI)	Variable compensation payable in cash, shares, or a combination thereof, subject to pre-established objectives and/or continued employment to retain Executive Directors necessary to execute the Company's strategy, to align the financial interests of Executive Directors with those of shareholders, and reward delivery of long-term performance objectives and shareholder value creation LTI grant value is capped at 500% of base salary	No LTI was granted to the Executive Directors in 2022 since they remained under their pre-Listing contracts
Retirement and other post-employment benefits	Customary retirement income and severance benefits to provide future income security, aligned with relevant market levels	For Chairman and CEO, the pension allowance equals 20% of base salary, capped at €1,512,049, per year, for a total potential maximum pension allowance of €302,410. The Deputy CEO, participates in the local UMG pension plan
Benefits	Customary and market competitive arrangements to compensate for any reasonable costs incurred or perks required for the performance of their duties	Covers health and welfare, housing allowance, tax equalization, life insurance, security, and home leave

Short-Term Incentive

For 2022, in accordance with his contract, Sir Lucian Grainge was entitled to receive: (i) an annual cash bonus in an amount equal to 1% of UMG's 2022 EBITA, which was paid in 2023; and (ii) a contingent cash bonus, subject to UMG meeting specific financial and non-financial targets. For 2022, Sir Lucian Grainge's contingent cash bonus was subject to meeting one of the following performance measures: UMG's year-over-year EBITA, maintaining market share of the U.S. recorded music market and success of UMG's exclusively signed artists on the Billboard 100 or 200 chart.

Vincent Vallejo, in accordance with his contract, was eligible for a target bonus of 50% of annual base salary.

For 2022, Vincent Vallejo's short-term incentive was based on the following performance metrics:

- UMG Adjusted EBITDA[1] (50% weighting)
- UMG Cash Flow from Operations (CFFO) (50% weighting)

Performance Metric	Weighting	Threshold[1] (50% Payout)	Target[1] (100% Payout)	Maximum[1] (200% Payout)	Actual	Earned %
Adjusted EBITDA	50%	€1,875.2 M	€1,973.9 M	€2,072.6 M	€1,981.0 M[2]	53.5%
CFFO	50%	€1,164.7 M	€1,226.0 M	€1,287.3 M	€1,244.9 M[2]	65.4%
Total						118.9%

1 0% below threshold; Straight-line interpolation between targets.
2 Actual 2022 restated at constant 2022 financial plan FX rates.

In 2022, actual UMG Adjusted EBITDA performance was between target and maximum and actual UMG Cash Flow from Operations was between target and maximum. As a result, Vincent Vallejo's resulting actual bonus was 118.9% of target or €570,929.

Long-Term Incentive

The Company did not grant Executive Directors any annual LTI in 2022. Their legacy contracts do not provide for any annual compensation to be paid in the form of LTI.

Special One-Time Awards

Prior to the Listing, Vivendi granted the Deputy CEO Vivendi equity awards in the form of performance shares payable in Vivendi stock. These Vivendi equity awards were not adjusted to offset the impact of the spin-off, following the Listing, and the value of these Vivendi equity awards significantly decreased as a result. To make the Deputy CEO whole and compensate him for the loss of value of these Vivendi equity awards, upon recommendation of the Remuneration Committee and in accordance with the mandate granted by the General Meeting on May 12, 2022, the Board granted the Deputy CEO 7,500 restricted stock units on November 30, 2022 under the 2022 UMG Global Equity Plan, vesting one year from grant in accordance with our Executive Directors' Remuneration Policy.

1 Reflects the Adjusted EBITDA as defined in the Appendix in the Annual Report

Malus and Claw-back

In 2022, no application of claw-back was applied on any kind of variable payments for the Executive Directors.

Severance Payments

No severance payments were made to any Executive Director in 2022.

Executive Directors are entitled to the following legacy severance benefits contractually agreed in their contracts:

- Sir Lucian Grainge: two years' salary, target bonus, pension contributions, car allowance, protection compensation and health and welfare benefits and €1,950,839 for lost value of Vivendi restricted stock units in a lump sum in case of termination by Sir Lucian Grainge for good reason or by the Company without cause, subject to signing a release agreement.
- Vincent Vallejo: pay out of remainder of fixed term contract including base salary, target bonus, contractually agreed exceptional premiums, and any unpaid retention bonus or other bonuses in a lump sum, in case of termination by the Company without cause. If terminated, the restricted stock units awarded in 2022 would be paid out pro-rata under the provisions of the 2022 UMG Global Equity Plan covering death, retirement, or redundancy.

Total Remuneration[1]

Total remuneration of the Executive Directors is presented in the table below. For Sir Lucian Grainge who is compensated in U.S. Dollars, the year-over-year increase in total remuneration includes the impact of FX rate volatility where the average 2021 USD to EUR FX rate was 0.84 and the 2022 USD to EUR FX rate was 0.95, for an approximate impact of +13%. On a constant currency basis, Sir Lucian Grainge's total remuneration increased by approximately 3%.

[1] The Remuneration Table includes information and figures that are audited as part of Note 24 of the Annual Consolidated Financial Statements and Note 11 of the Company Financial Statements

Name	Reported year	Fixed remuneration	Variable remuneration		Benefits and one-off amounts			Total remuneration[1]	Proportion fixed – variable remuneration
		Base Salary	Short-Term Incentive	Long-Term Incentive	Retirement Benefits	Other Benefits	Other Payments		
Sir Lucian Grainge, Chairman and CEO[2]	2022	€15,412,990	€28,768,466	€0	€302,410	€2,807,202	€0	€47,291,068	39% / 61%
	2021	€13,192,829	€24,673,885	€0	€0[3]	€2,994,992	€0	€40,861,707	40% / 60%
Vincent Vallejo, Deputy CEO	2022	€960,000	€570,929	€0	€41,053	€83,739	€968,750[4]	€2,624,471	41% / 59%
	2021	€720,000	€602,859	€0	€0[3]	€62,838[5]	€800,000[4]	€2,185,698	36% / 64%

1 The Chairman and CEO and the Deputy CEO participated in Vivendi share schemes prior to the Listing that are not included. Reference is made to pages 131 to 133 of the Company's prospectus dated September 14, 2021, which is available on the investor relations part of the UMG website (the Prospectus) for further details.

2 In addition, other payments were made by Vivendi in connection with but not limited to the Listing. Reference is made to pages 129 and 131 of the Prospectus that outline the following payments: €17,530,000 for the Tencent-led Consortium acquiring an additional 10% of the Shares, €20,909,789 for the Pershing Entities acquiring their 10% interest in the Company and €194,982,887 for the Listing.

3 For 2021, Retirement Benefits were included as part of Other Benefits. For 2022, we have separated Retirement Benefits into its' own column. For 2021, the Chairman and CEO's Retirement Benefits amount was €268,686, included in the 2021 Other Benefits amount of €2,994,992. For 2021, the Deputy CEO's Retirement Benefits amount was €25,243, of which €9,900 was included in the 2021 Other Benefits amount of €62,838 and €15,343 of 2021 Retirement Benefits was excluded.

4 Amounts reflect the recognition awards paid in 2021 and 2022 by UMG in connection with the Listing and, for 2022, the value of the one-time LTI award for the lost value of Vivendi equity awards in connection with the Listing which was granted on November 30, 2022 at €22.50 of €168,750. Additionally, in February 2023, the Deputy CEO has received a €800,000 cash retention payment, which will be included in the 2023 remuneration disclosures.

5 For 2021, Other Benefits excluded €6,750 for company car related expenses.

Share-Based Remuneration

Total share-based remuneration of the Executive Directors in 2022 is presented in the table below:

Name of Director, position	The main conditions of share award plans					Information regarding reported financial year				
						Opening balance	During the year		Closing Balance	
	Specification of plan	Performance period	Award date	Vesting date	End of holding period	Shares awarded at the beginning of the year	Shares awarded	Shares vested	Shares subject to a performance condition	Shares awarded and unvested as of year end	Shares subject to a holding period
Vincent Vallejo, Deputy CEO	2022 UMG Global Equity Plan	N/A	11/30/2022	11/30/2023	N/A	0	7,500	0	0	7,500	N/A

[1]As noted in the Corporate Governance section under 'Compliance with the Code', the Deputy CEO's Shares, once vested, are not subject to a holding period.

Remuneration and Company Performance Development

The overview below provides insight into the development of the remuneration of the Executive Directors, Company performance and employee pay. For Sir Lucian Grainge who is compensated in U.S. Dollars, the year-over-year increase in total remuneration includes the impact of FX rate volatility where the average 2021 USD to EUR FX rate was 0.84 and the 2022 USD to EUR FX rate was 0.95, for an approximate impact of +13%. On a constant currency basis, Sir Lucian Grainge's total remuneration increased by approximately 3%.

Element	2021[1]	2022[1]
Remuneration		
Chairman and CEO	€ 40,861,707	€ 47,291,068
Annual Change	*Not applicable*	*16%*
Deputy CEO[2]	€ 2,630,851	€ 2,624,471
Annual Change	Not applicable	0 %
Company performance		
Adjusted EBITDA (in millions of euros)	€ 1,788	€ 2,135
Annual Change	Not applicable	19 %
Average annual remuneration on an FTE basis of employees		
Average annual[3]	€ 131,961	€ 142,039
Annual Change	Not applicable	8 %

1 The information in this table regards the financial years 2021 and 2022 only, as 2021 was the first financial year for UMG as a publicly listed company.

2 In the table above, the Deputy CEO was employed by UMG effective April 2021. Accordingly, the remuneration for 2021 has been updated and annualized from €2,185,698 to €2,630,851 for year-over-year comparison purposes.

3 Reflects the total personnel costs reported in Note 4, adjusted to be aptly comparable with the remuneration of Executive Directors disclosed above.

The Remuneration for the Non-Executive Directors in 2022

The fee structure for Non-Executive Directors has been designed to ensure that UMG attracts, retains and appropriately compensates a diverse and internationally experienced group of Non-Executive Directors. In 2022, the Non-Executive Directors' remuneration for participating in the Board and Board committees was as follows:

- €90,000 per annum for performing their role as a Non-Executive Director
- €50,000 per annum for performing the role of Chairman of the Board
- €20,000 per annum for performing their role as a member of a Board committee
- €10,000 per annum for performing the role of chair of a Board committee.

Total Remuneration[1]

Total remuneration of the Non-Executive Directors paid in 2022 is presented in the table below:

	Commencement Date	Board[1]	Audit Committee[1]	Remuneration Committee[1]	Nomination Committee[1]	2022 Remuneration (in euros)
J.S.J. Craymer	9/20/2021	Chairman		Member	Member	180,000
A.R.J.C. Fiévet	9/20/2021	Vice-Chairman	Member			110,000
A.K. Jones	9/20/2021	Member	Member	Chair		140,000
W.A. Ackman[2]	5/12/2022	Member			Member	0
C.F.L. Lawson-Hall	9/20/2021	Member	Member			120,000
C.M.C. Bolloré	5/12/2022	Member		Member		67,329
J.G. Mitchell[2]	9/20/2021	Member		Member		0
L.A.J. Van Os	9/20/2021	Member	Chair			130,000
M.L. Doherty[2]	9/20/2021	Member			Member	0
M. Frerejean-Taittinger	9/20/2021	Member	Member		Chair	140,000
N.A. Avant	5/12/2022	Member			Member	67,329
S.L. Lansing	5/12/2022	Member		Member		67,329

1 Composition of the Board and Board committees as of December 31, 2022.

2 Voluntarily elected to not receive any Non-Executive Director remuneration in 2022.

[1] The Remuneration Table contains information and figures that are audited as part of Note 24 of the Annual Consolidated Financial Statements and Note 11 of the Company Financial Statements.

	Year-Over-Year % Change
Non-Executive Directors	2022 vs. 2021[1]
J.S.J. Craymer	0%
A.R.J.C. Fiévet	0%
A.K. Jones	0%
W.A. Ackman[2]	N/A
C.F.L. Lawson-Hall	0%
C.M.C. Bolloré	N/A
J.G. Mitchell[2]	0%
L.A.J. Van Os	0%
M.L. Doherty[2]	0%
M. Frerejean-Taittinger	0%
N.A. Avant	N/A
S.L. Lansing	N/A

1 2021 remuneration amounts have been annualized for purposes of calculating the year-over-year percentage change.

2 Voluntarily elected to not receive any Non-Executive Director remuneration in 2022.

Remuneration is reviewed annually and is not linked to the price of the Shares or UMG's performance. Each Non-Executive Director is also entitled to reimbursement of reasonable expenses incurred in connection with the attendance of Board and Board committee meetings. The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's bonus or pension schemes.

The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are not subject to non-compete restrictive covenants.

2021 Remuneration Report Shareholders' Voting Results

Last year, 71.02% of the Shareholders supported the 2021 remuneration report exceeding the required threshold for approval under Dutch law. After the annual General Meeting held on May 12, 2022, UMG engaged with Shareholders to understand their perspective on the 2021 remuneration report and solicit overall feedback about our Executive Director pay design and practices. Feedback was gathered and reviewed within the context that there are existing legacy contracts with each Executive Director in place from prior to the Listing and the adoption of the Executive Directors' Remuneration Policy.

Deviation from Remuneration Policies

UMG did not deviate from the Remuneration Policies. The Executive Directors are subject to legacy arrangements contractually agreed before the Listing and the adoption of the Executive Directors' Remuneration Policy and, therefore, when setting their remuneration for 2022 these legacy arrangements have been applied.

FINANCIAL STATEMENTS

Consolidated Statements

Contents of Consolidated Statements

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

Consolidated Statement of Profit or Loss

		Year ended December 31,	
(in millions of euros)	Note	2022	2021 Restated[1]
Revenues	3	**10,340**	**8,504**
Cost of revenues	4	(5,753)	(4,608)
Selling, general and administrative expenses	4	(2,702)	(2,327)
Amortisation and impairment losses on intangible assets	8,9	(285)	(175)
Operating profit	3	**1,600**	**1,394**
Financial income	5	37	143
Financial expenses	5	(735)	(377)
		(698)	**(234)**
Income/(loss) from equity affiliates	12	(2)	5
Profit before income taxes		**900**	**1,165**
Income taxes	6	(115)	(277)
Net profit		**785**	**888**
Of which:			
Net profit attributable to equity holders of the parent		782	886
Net profit attributable to non-controlling interests		3	2
Earnings per share (in euros)			
Basic, earnings for the period attributable to equity holders of the parent	7	0.43	0.49
Diluted earnings for the period attributable to equity holders of the parent	7	0.43	0.49

1 Restated amounts are presented in Note 2.3.

Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	Year ended December 31, 2022	2021
Net profit		**785**	**888**
Actuarial gains/(losses) related to employee defined benefit plans, net of tax		36	(5)
Financial assets at fair value through other comprehensive income, net of tax		8	2
Items not subsequently reclassified to profit or loss, net of tax		**44**	**(3)**
Foreign currency translation adjustments		184	218
Comprehensive income/(loss) from equity affiliates, net of tax		6	5
Items to be subsequently reclassified to profit or loss, net of tax		**190**	**223**
Income and expenses directly recognised in equity, net of tax	20	**234**	**220**
Total comprehensive income, net of tax		**1,019**	**1,108**
Of which			
Total comprehensive income attributable to equity holders of the parent		1,016	1,106
Total comprehensive income attributable to non-controlling interests		3	2

Consolidated Statement of Financial Position

		Year ended December 31,	
(in millions of euros)	Note	2022	2021
Goodwill	8	1,578	1,480
Non-current royalty advances	3, 9	1,593	1,536
Catalogues	3, 9	3,058	2,982
Other intangible assets	9	119	96
Property, plant and equipment	10	167	167
Right of use assets	11	318	388
Investments in equity affiliates	12	156	109
Non-current financial assets	18	690	1,592
Deferred income tax assets	6	348	404
Other non-current assets		8	6
Non-current assets		**8,035**	**8,760**
Inventories		163	99
Current tax receivables		4	3
Current royalty advances	3, 9	984	844
Trade and other receivables	13, 14	2,014	1,803
Cash and cash equivalents	16	439	585
Current assets		**3,604**	**3,334**
TOTAL ASSETS		11,639	12,094
Shareowners equity	19	2,351	2,030
Non-controlling interests		1	-
Total equity		**2,352**	**2,030**
Non-current provisions	21	291	355
Long-term borrowings and other financial liabilities	16	1,113	2,277
Deferred tax liabilities	6	580	850
Long-term lease liabilities	11	346	421
Other non-current liabilities	18	437	769
Non-current liabilities		**2,767**	**4,672**
Current provisions	21	103	80
Short-term borrowings and other financial liabilities	16	1,137	318
Trade and other payables	13, 15	5,150	4,875
Short-term lease liabilities	11	77	80
Current tax payables		53	39
Current liabilities		**6,520**	**5,392**
Total liabilities		**9,287**	**10,064**
TOTAL EQUITY AND LIABILITIES		11,639	12,094

Consolidated Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2022	2021 Restated[1]
Operating activities			
Operating profit	3	1,600	1,394
Adjustments	13	461	280
Royalty advances payments, net of recoupments		(148)	(364)
Gross cash provided by/(used for) operating activities before income tax paid		*1,913*	*1,310*
Other changes in net working capital	13	74	85
Net cash provided by/(used for) operating activities before income tax paid		*1,987*	*1,395*
Income tax paid	6	(255)	(255)
Net cash provided by/(used for) operating activities		**1,732**	**1,140**
Investing activities			
Catalogue investments		(359)	(388)
Other intangible assets investments		(60)	(48)
Capital expenditures	10	(33)	(13)
Purchases of consolidated companies, after acquired cash		(22)	(11)
Investments in equity affiliates		(22)	(28)
Purchase of financial assets		(36)	(43)
Investments		*(532)*	*(531)*
Proceeds from sales of property, plant, equipment and intangible assets		-	6
Proceeds from sales of consolidated companies, after divested cash		-	117
Proceeds from sale of financial assets		9	14
Divestitures		*9*	*137*
Dividends received from equity affiliates	12	2	2
Dividends received from investments		1	1
Net cash provided by/(used for) investing activities		**(520)**	**(391)**
Financing activities			
Distributions to shareowners	19	(798)	(785)
Dividends paid by consolidated companies to their non-controlling interests		(2)	(2)
Transactions with shareowners		*(800)*	*(787)*
Proceeds from borrowings		5,938	3,176
Repayments of borrowings		(6,359)	(3,624)
Interest, net		(30)	(17)
Other cash items related to financing activities		4	(8)
Transactions on borrowings and other financial liabilities		*(447)*	*(473)*
Repayment of lease liabilities	11	(86)	(70)
Payment of interest of lease liabilities	11	(14)	(16)
Net cash provided by/(used for) financing activities		**(1,347)**	**(1,346)**
Net change in cash and cash equivalents		**(135)**	**(597)**
Foreign currency translation adjustments		1	32
Change in cash and cash equivalents	16	**(134)**	**(565)**
Cash and cash equivalents			
At beginning of the period	16	572	1,137
At end of the period	16	438	572

1 Restated amounts are presented in Note 2.3.

Consolidated Statement of Changes in Equity

Year ended December 31, 2022

(in millions of euros)	Note	Number of shares (in thousands)	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Shareowners equity	Non-Controlling interest	Total equity
BALANCE AS OF DECEMBER 31, 2021		1,813,376	18,134	14,941	(12)	(31,033)	2,030	–	2,030
Net profit		–	–	–	–	782	782	3	785
Income and expenses directly recognized in equity, net of tax	20	–	–	–	–	234	234	–	234
TOTAL COMPREHENSIVE INCOME		–	–	–	–	1,016	1,016	3	1,019
Dividends paid and payable by UMG N.V.	19	–	–	–	–	(798)	(798)	(2)	(800)
Share-based compensation plans	23	137	1	(6)	7	101	103	–	103
TOTAL CHANGES OVER THE PERIOD		137	1	(6)	7	(697)	(695)	(2)	(697)
BALANCE AS OF DECEMBER 31, 2022		1,813,513	18,135	14,935	(5)	(30,714)	2,351	1	2,352

Year ended December 31, 2021

(in millions of euros)	Note	Number of shares (in thousands)	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Shareowners equity	Non-Controlling interest	Total equity
BALANCE AS OF DECEMBER 31, 2020		–	–	–	–	1,634	1,634	–	1,634
Net profit		–	–	–	–	886	886	2	888
Income and expenses directly recognized in equity, net of tax	20	–	–	–	–	220	220	–	220
TOTAL COMPREHENSIVE INCOME		–	–	–	–	1,106	1,106	2	1,108
Dividends paid and payable by UMG N.V.	19	–	–	–	–	(785)	(785)	(2)	(787)
Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V.		1,847,874	18,479	14,521	–	(33,000)	–	–	–
Reduction in number of shares and effective capital contribution		(34,633)	(346)	346	–	–	–	–	–
Share-based compensation plans	23	135	1	29	(12)	12	30	–	30
Share-based compensation plans settled by Vivendi		–	–	45	–	–	45	–	45
TOTAL CHANGES OVER THE PERIOD		1,813,376	18,134	14,941	(12)	(33,773)	(710)	(2)	(712)
BALANCE AS OF DECEMBER 31, 2021		1,813,376	18,134	14,941	(12)	(31,033)	2,030	–	2,030

Notes to the Consolidated Financial Statements

Note 1. General information

Universal Music Group N.V. is a public company with limited liability incorporated under the laws of the Netherlands and listed on Euronext Amsterdam under the symbol 'UMG.AS'. As used herein, the term UMG ("The Group") is used for Universal Music Group N.V. ('the Company') and its subsidiaries within the meaning of Section 2:24b of the Dutch Civil Code. UMG's statutory seat is located in Amsterdam and its principal office is located at:

's-Gravelandseweg 80,
1217 EW Hilversum The Netherlands.

UMG is the worldwide leader in music, engaged in recorded music, music publishing and merchandising. It owns more than 50 labels covering all music genres. UMG is home to some of the greatest local and international artists of all time, including The Beatles, Rolling Stones, U2, Andrea Bocelli, Lady Gaga, Helene Fischer and more, as well as many of the biggest artists of the year, such as Taylor Swift, BTS, Olivia Rodrigo, Encanto OST and Morgan Wallen.

- The recorded music business discovers and develops recording artists, marketing and promoting their music across a wide array of formats and platforms. Its activities also extend to other areas, such as live events, sponsorship, film and television.
- The music publishing business discovers and develops songwriters and owns and administers the copyright for musical compositions used in recordings, public performances and related uses, such as films and advertisements.
- The merchandising business produces and sells artist-branded and other branded products through multiple sales channels, including fashion retail, concert touring and the Internet. Its activities also extend to other areas, such as brand rights management.

Note 2. Basis of preparation

2.1. Statement of compliance

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as endorsed by the European Union (EU) and comply with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. IFRS as endorsed by the EU differs in some respects from IFRS as issued by the IASB. The differences have no impact on the Consolidated financial statements for the years presented.

The Consolidated financial statements are prepared by the Board of Management of UMG and authorized for issue on March 30, 2023 and will be submitted for adoption to the Annual General Meeting of Shareholders on May 11, 2023.

2.2. Basis of preparation and consolidation

The Consolidated financial statements are:

- prepared on a historical cost basis, unless stated otherwise
- are presented in millions of euros, and rounded to the nearest million, unless stated otherwise
- prepared on the basis that UMG will continue to operate as a going concern

The Consolidated financial statements comprise the financial statements of the UMG N.V. and its subsidiaries as at 31 December 2022.

Separation from Vivendi

Until February 26, 2021, the arrangement that constituted the combined UMG Group was not a legal entity in its own right and was made up of entities under the common control of Vivendi. Until this date, UMG's scope of combination principally comprised the entities held directly and indirectly by UMG Inc. and UIM B.V.

On February 26, 2021, in UMG B.V.'s Consolidated financial statements, the contribution of €33,000 million was directly recorded as an increase in equity attributable to UMG B.V. shareowners (€18,500 million in share capital and €14,500 million in additional paid-in capital), and the contribution of €33,000 million was fully neutralized in UMG B.V.'s retained earnings. The reorganization of its shareholding structure, which is a common control business combination, has no impact on UMG's scope of combination or consolidation.

On September 21, 2021, the shares of Universal Music Group N.V. (UMG N.V.) started trading on the regulated market of Euronext Amsterdam. Vivendi completed the distribution in kind of UMG shares to Vivendi shareholders on the basis of one UMG N.V. share for every eligible Vivendi share. The detachment date (ex-date) of the distribution in kind was September 21, 2021. Settlement occurred on September 23, 2021. UMG B.V. was converted to UMG N.V. on this date accordingly.

Following this transaction and as at December 31, 2022, Vivendi held 10.13% of the share capital of UMG N.V. Transactions with Vivendi are still qualified as transactions with related parties under IAS 24 and are disclosed as such in these Consolidated financial statements. Commercial relationships among UMG and Vivendi subsidiaries prior and upon the separation, are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties.

Subsidiaries

Subsidiaries are all companies over which UMG has control. Control over an entity exists when UMG is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of UMG's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Significant events in the period and accounting estimates and judgements

Impact of global events

The Russia-Ukraine dispute created and magnified multiple threats to the global economic recovery from COVID–19 in 2022. Surging inflation and unemployment rates, economic sanctions, supply-chain disruptions causing rise of commodities prices, and, as a result, volatile financial markets created an adverse change to the business environment for UMG.

However, in 2022 UMG has demonstrated resilience of its activities to continue to best serve and entertain its customers. UMG continuously monitors the current and potential consequences of the crisis and continues to make every effort to ensure the continuity of its activities.

During its financial reporting process, UMG assessed the influence of the global events on the application of its accounting policies.

Climate change

UMG does not expect that climate change-related risks will have significant impact on the Group and would qualitatively influence management's decisions.

Accounting estimates and judgements

Application of the accounting policies requires judgements that impact the amounts recognised. All significant judgements and estimates are disclosed in the notes to the Consolidated financial statements. Information and considerations regarding areas of significant judgements and estimates have been included in the table below. It is reasonably possible, that outcomes of these judgements and estimates within the next financial year are different from the assumptions, which could require a material adjustment to the carrying amount of the asset or liability affected.

Area	Significant judgement	Note
Revenue	Significant judgement is required to identify performance obligations under contracts with customers, whether these performance obligations are satisfied at a point of time or overtime, and probability that collectability is assured and significant reversal will not occur.	2.4.5. Revenues and associated costs
Uncertain tax positions and deferred taxes	Judgement in assessing the uncertainty of whether it is probable that a taxation authority will accept or revise the uncertain tax treatment and, future results enabling realisation of deferred taxes.	2.4.21. Income taxes
Lease liabilities and right-of-use assets	Judgement in determining the lease term of contracts with renewal and termination options at the commencement date of each lease contract.	2.4.11. Leases

Area	Significant estimate	Note
Revenue	Estimation on the timing of the consequent usage and the amounts that are probable to be collected.	2.4.5. Revenues and associated costs
Intangible assets, including goodwill and content assets	Assumptions relating to impairment tests performed on each of the Group's cash-generating units (CGUs) or intangible assets, future cash flows and discount rates are updated annually. Estimation of (remaining) useful life for intangible assets, other than goodwill.	2.4.8. Goodwill and 2.4.9. Intangible assets, other than goodwill
Provisions	Estimating the likelihood and timing of potential cash flows relating to royalty claims and litigation.	2.4.19. Provisions
Artist royalty advances	Estimates of the future performance of artists and repertoire owners who are paid advances that are recognized in the Consolidated Statement of Financial Position.	2.4.9. Intangible assets, other than goodwill
Share-based payments - PSUs	Estimation of the grant date fair value and number of equity instruments.	2.4.22. Share-based payments
Pension liability	Assumptions for discount rates, future pension increases and life expectancy to calculate the defined benefit obligation.	2.4.20. Employee benefit plans

For more details on these significant judgement areas and resulting estimates refer to the accounting policies below.

2.3. Financial statement presentation changes and prior years restatements

During 2022 UMG made prior year restatements and updated, compared to the 2021 Consolidated financial statements, the presentation of the Consolidated Statement of Profit or Loss, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for and as at December 31, 2021 to further improve transparency and readability of these statements in line with market practice.

Updates in the Consolidated Statement of Profit or Loss relate to a restatement of amortisation expense from selling, general and administrative expenses into its own line item and the reclassification of Income and losses from equity affiliates from within Operating profit to be reported outside of Operating profit to reflect that they do not constitute operating activities of UMG. Details on the impact on 2021 comparatives for the year ended December 31, 2021 is presented in the table below.

December 31, 2021

	Before Changes	Presentation Changes	After Changes
Revenues	**8,504**	**–**	**8,504**
Cost of revenues	(4,608)	–	(4,608)
Selling, general and administrative expenses	(2,502)	175	(2,327)
Amortisation and impairment losses on intangible assets	–	(175)	(175)
Income/(loss) from equity affiliates	5	(5)	–
Operating profit	**1,399**	**(5)**	**1,394**
Financial income	143	–	143
Financial expenses	(377)	–	(377)
	(234)	**–**	**(234)**
Income/(loss) from equity affiliates	–	5	5
Profit before income taxes	1,165	–	1,165
Income taxes	(277)	–	(277)
Net profit	**888**	**–**	**888**
Of which:			
Net profit attributable to equity holders of the parent	886	–	886
Net profit attributable to non-controlling interests	2	–	2

The Consolidated Statement of Cash Flows includes the same reclassification of income and losses from equity affiliates from Operating profit and adjustments as well as a retrospective adjustment to the comparative period in relation to the cash flows resulting from bank overdrafts which are repayable on demand. In prior years, cash flows related to bank overdrafts repayable on demand were reported together with borrowings movements as cash flows from financing activities. Bank overdrafts are now presented in cash and cash equivalents at the beginning and end of the period.

Repayments of the principal and interest of lease liabilities were previously reporting together under repayment of lease liabilities. These cash flows are now presented separately as part of cash flows from financing activities.

December 31, 2021

	Before Changes	Restatement	After Changes
Operating activities			
Operating profit	1,399	(5)	1,394
Adjustments	275	5	280
Royalty advances payments, net of recoupments	(364)	–	(364)
Gross cash provided by/(used for) operating activities before income tax paid	*1,310*	–	*1,310*
Other changes in net working capital	85	–	85
Net cash provided by/(used for) operating activities before income tax paid	*1,395*	–	*1,395*
Income tax paid	(255)	–	(255)
Net cash provided by/(used for) operating activities	**1,140**	–	**1,140**
Net cash provided by/(used for) investing activities	**(391)**	–	**(391)**
Financing activities			
Transactions with shareowners	*(787)*	–	*(787)*
Proceeds from borrowings	3,185	(9)	3,176
Repayments of borrowings	(3,624)	–	(3,624)
Interest, net	(17)	–	(17)
Other cash items related to financing activities	(8)	–	(8)
Transactions on borrowings and other financial liabilities	*(464)*	*(9)*	*(473)*
Repayment of lease liabilities	(86)	16	(70)
Payment of interest of lease liabilities	–	(16)	(16)
Net cash provided by/(used for) financing activities	**(1,337)**	**(9)**	**(1,346)**
Net change in cash and cash equivalents	**(588)**	(9)	**(597)**
Foreign currency translation adjustments	32	–	32
Change in cash and cash equivalents	**(556)**	(9)	**(565)**
Cash and cash equivalents			
At beginning of the period	1,141	(4)	**1,137**
At end of the period	585	(13)	**572**

Updates to the Consolidated Statement of Changes in Equity relate to moving the presentation to a columnar format to improve the readability of the statement.

2.4. Material accounting policy information

2.4.1. Foreign currency

Foreign currency transactions
Foreign currency transactions are initially recorded in the functional currency of the entity at the exchange rate prevailing at the date of the transaction. At the closing date, foreign currency monetary assets and liabilities are translated into the entity's functional currency at the exchange rate prevailing on that date with foreign currency differences recorded to profit and loss.

Financial statements denominated in a foreign currency
Except in cases of significant exchange rate fluctuation, financial statements of subsidiaries, joint ventures or other associated entities for which the functional currency is not the euro are translated into euros as follows: the Consolidated Statement of Financial Position is translated at the exchange rate at the end of the period, and the Consolidated Statement of Profit or Loss and the Consolidated Statement of Cash Flows are translated using average monthly exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation differences in expenses and income directly recognized in equity. In 2022, UMG did not have any significant foreign operations in hyper-inflationary economies.

2.4.2. Earnings per share
UMG presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the net profit or loss attributable to shareholders of UMG by the weighted average number of shares outstanding during the year, adjusted for the weighted average number of own shares held in the year. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for the weighted average number of own shares held in the year and for the effects of all dilutive potential shares which comprise share rights granted to employees.

2.4.3. Consolidated Statement of Cash Flows
The Consolidated Statement of Cash Flows is prepared using the indirect method starting from Operating profit. Dividends received from equity affiliates and investments are included in the investing cash flow. It also includes any cash flows arising from the gain or loss of control of subsidiaries. Interest paid, including interest paid on lease liability, is included in the financing activities.

2.4.4. Accounting for associates and joint ventures
Associates are entities in which UMG has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures are the arrangements in which UMG has joint control.

UMG's investments in associates and joint ventures are accounted for using the equity method of accounting, meaning they are initially recognised at cost. The Consolidated financial statements include UMG's share of the net profit or loss of the associates and joint ventures whereby the result is determined using the accounting policies of UMG. When UMG's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that UMG has an obligation or has made a payment on behalf of the associate or joint venture.

2.4.5. Revenues and associated costs
Revenues from contracts with customers are recorded when performance obligations promised in the contract are satisfied, and for an amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Revenues are reported net of discounts.

Intellectual property licensing (musical works)
These licenses transfer to a customer either a right to use an entity's intellectual property as it exists at the point in time at which the license is granted (static license), or a right to access an entity's intellectual property as it exists throughout the license period (dynamic license).

Revenues are accounted for when the performance obligation promised in the contract is satisfied (static license) or over time upon satisfaction (dynamic license), i.e., when the seller transfers the control over the right to use/access the intellectual property and the customer obtains control of the use/access of that license. Consequently, revenues from static licenses are recognized at the point in time when the license is transferred and the customer is able to use and benefit from the license. Revenues from dynamic licenses are accounted for over time, over the license period from the date the customer is able to use and benefit from the license and in line with the sale or usage.

Consideration received in the current year, which represents income from ordinary activities related to the prior years, is recorded within revenue, unless it was accrued before. Court settlements in relation to the unauthorized usage of UMG's intellectual property in previous years are recorded in revenue as they relate to activities carried out within the ordinary course of business.

Analysis of the Agent/Principal relationship in sales transactions involving a third party
If the nature of the entity's undertaking is a performance obligation to provide the specified goods or services itself, then the entity acts on its own behalf and it is “principal” in the sale transaction: it accounts for revenue the gross amount of consideration to which it expects to be entitled in exchange for the goods or services provided, and the commission due to the third-party as cost of revenues. If the entity arranges for a third-party to provide the goods or services specified in the contract, then it recognizes as revenues the net amount of consideration to which it expects to be entitled in exchange for the goods or services provided.

Financing Component
UMG does not adjust the transaction price for the effects of significant financing component if, at contract inception, it is expected that the period between customer payment and the transfer of goods or services is one year or less. This applies to the majority of sales transactions. The transaction price may be variable due to discounts, rebates, or similar arrangements. In determining the transaction price UMG considers the fair value of any non-cash consideration. Revenue is only recognized for the part of the consideration for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Judgement is required in determining the probability and level of discounts and rebates that will be granted. The estimate is updated throughout the term of the contract.

Revenue recognition by business segment

Recorded Music
The sales of recorded music (physical, digital downloading or streaming) are intellectual property licenses granted by UMG to distributors or digital platforms and which give them certain rights over UMG's musical works.

Physical sales of recorded music (CDs, DVDs and Vinyls)
These intellectual property licenses are static licenses transferring to the customer a right to use UMG‘s recordings as they exist at the point in time at which the license is granted, i.e., on the physical device sold.

Revenues from the physical sales of recorded music, net of a provision for estimated returns and rebates, if any, are accounted for, either: (i) upon the sale to the distributor, at the shipping point for products sold free on board (FOB) or on delivery for products sold free on destination; or (ii) upon the sale to the final customer for consignment sales.

Digital sales of recorded music, via downloading or streaming by subscription or free of charge
These intellectual property licenses are generally dynamic licenses providing a right to access the entire catalogue of recorded music as it exists throughout the license period considering potential add-ons to, or withdrawals from, the catalogue during that period.

The consideration paid by the digital platform is variable in the form of a sales-based or a usage-based royalty. Revenues are then accounted for when these subsequent sales or usages occur. Revenues from digital sales of recorded music, for which UMG has sufficient, accurate, and reliable data from digital platforms, are recognized at the end of the month in which the sale or usage is made by the end customer.

For digital sales of recorded music streaming by subscription or free of charge, certain contracts may include a non-refundable minimum guarantee which is generally recoupable and is in substance an advance payment. In the case of a dynamic license, the minimum guarantee is spread over the period to which it relates and takes into account the amount of royalties that are actually recoupable. The minimum guarantee are apportioned in accordance with the accounting for these royalties.

Music Publishing
Music Publishing relates to the use by a third party of the copyrights on musical works owned or administered by UMG, which are intellectual property licenses that UMG grants to the third party and which provides a right to access a catalogue of recorded music, as these intellectual property licenses are dynamic licenses. For these contracts, revenues are recognised on the basis of sales and usage royalties, using the best available estimate on the timing of the consequent usage and the amounts that are probable to be collected.

Merchandising
Revenues from merchandising are recognized when control has been passed either upon sale to the end customer, from direct sales during touring, concessions and over the internet; on delivery for sales by a third-party distributor; or for sales of rights attached to merchandising products when a contract is signed and collectability is probable and on a sales and usage basis.

Provisions for estimated returns and price guarantees are deducted from sales of products to customers through distributors. The provisions are estimated based on past sales statistics and take into account the economic environment and product sales forecast to final customers.

Associated costs of revenues
Cost of revenues primarily includes product costs and artists costs.

Selling, general and administrative expenses primarily include salaries and employee benefits, consulting and service fees, insurance costs, travel and entertainment expenses, depreciation of capital expenditure and right of use assets, administrative department costs, value allowances for receivables, restructuring expenses and other operating expenses and are expensed when incurred.

Advertising costs are expensed when incurred.

Slotting fees and cooperative advertising expenses are recorded as a reduction in revenues. However, cooperative advertising is not treated as a reduction of transaction price but marketing expense and expensed when it is distinct and can be estimated.

2.4.6. Operating segments
The operating segments are Recorded Music, Music Publishing and Merchandising. The segments are organized based on the nature of the business. 'Corporate Centre' represents amounts not allocated to the operating segments and includes certain costs related to central activities as well as group enabling functions.

The operating segment reporting follows the internal reporting used by Management of UMG, to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure are EBITDA and Adjusted EBITDA (see definitions in the Appendix to the Annual Report) as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. However, Management also receives information about the segment's revenue and assets. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.4.7. Business combinations

UMG accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, UMG assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which UMG has acquired exclusive control:

- the identifiable assets acquired, and the liabilities assumed are recognized at their fair value on the acquisition date; and
- non-controlling interests are measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This option is available on a transaction-by-transaction basis.

Contingent consideration in a business combination is recorded at fair value on the acquisition date, and any subsequent adjustment occurring after the purchase price allocation period is recognized in the Statement of Profit or Loss. Acquisition-related costs are recognized as expenses when incurred.

2.4.8. Goodwill

Goodwill represents the difference between the fair value of the net assets acquired and the transaction price of the acquisition. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

Subsequently goodwill is measured at its initial amount less accumulated impairment losses. On the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination.

2.4.9. Intangible assets, other than goodwill

Content assets include royalty advances to artists, songwriters and co-publishers as well as recorded music and music publishing catalogues, artists' contracts and rights. Music catalogues, trade names, subscribers' bases and market shares generated internally are not recognized as intangible assets.

Intangible assets separately acquired are recorded at cost, and intangible assets acquired in a business combination are recorded at their fair value at the acquisition date. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life. UMG believes that straight-line depreciation most accurately reflects the expected pattern of consumption of the future economic benefits embodied in these intangible assets.

Management needs to estimate the (remaining) useful lives of such intangible assets. Useful lives are determined based on the expected pattern of the future earnings and the period of the contractual arrangements. Useful life is reviewed at the end of each reporting period.

Music catalogues and publishing rights

The majority of the music catalogues are amortised over 20 years on a straight-line basis. Some significant catalogues can be amortized over longer period of time.

Advances to artists and repertoire owners

Royalty advances to artists, songwriters, and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis to conclude that the probable future recoupment of such royalty advances against earnings otherwise payable to them is reasonably assured. Royalty advances are recognized as an expense as subsequent royalties are earned by the artist, songwriter or co-publisher. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. These expenses are recorded in cost of revenues.

Other intangible assets

Other intangibles mainly includes software for internal use. Direct internal and external costs incurred for the development of software for internal use, are capitalized during the development stage if the resulting product or process is technically and commercially feasible, cost can be reliably measured, UMG has sufficient resources and the intention to complete its development. Research costs are expensed when incurred. Costs of significant upgrades and enhancements resulting in additional functionality are also capitalized.

The software for internal use is generally amortized over 3 years and included within amortisation expense.

2.4.10. Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Land and assets under construction are not depreciated. Depreciation is calculated using the straight-line method based on the estimated useful life of the assets. Leasehold improvements are depreciated over a period not longer than the lease term. Useful lives of the main components are reviewed at the end of each reporting period and are as follows:

- buildings: 5 to 40 years;
- equipment and machinery: 3 to 8 years; and
- other: 2 to 10 years.

2.4.11. Leases

The main lease contracts for UMG correspond to real estate leases for which UMG is the lessee. Real estate leases for which UMG is the lessee are recorded at the commencement date and result in the recognition of a lease liability equal to the present value of future lease payments against a right-of-use asset relating to leases.

Right-of-use assets

Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

UMG recognizes lease liabilities initially measured at the present value of future lease payments over the lease term. The lease payments include in-substance fixed payments (less any lease incentives), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating a lease, if UMG has the option to terminate and it is reasonably certain that this option will be exercised. In calculating the present value of lease payments, UMG uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

Short-term leases and leases of low-value assets

UMG applies the short-term lease recognition exemption to the real-estate leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office chattels and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Estimates in accounting for leases

UMG determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term, UMG considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. These circumstances include UMG's real estate planning.

In estimating the lessee's incremental borrowing rate, UMG takes into account the residual lease term and its duration to reflect the interest rate of a loan with a similar payment profile to the lease payments.

2.4.12. Impairment of non-financial assets

Each time events or changes in the economic environment indicate a risk of impairment of goodwill, content assets and other intangible assets, property, plant and equipment, investments in associates and joint ventures, rights-of-use assets, UMG re-examines the value of these assets. In addition, in accordance with applicable accounting standards, goodwill and intangible assets in progress are all subject to an annual impairment test undertaken in the fourth quarter of each fiscal year. This impairment test is performed to compare the recoverable amount of each Cash Generating Unit (CGU) to the carrying value of the corresponding assets (including goodwill). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. UMG operates through different content businesses. Each business offers different products and services that are marketed through various channels. CGUs for goodwill correspond to the UMG's operating segments.

The recoverable amount is determined for each individual asset as the higher of: (i) its value in use; and (ii) its fair value (less costs to sell) as described hereafter. If the asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the group of assets. In particular, in the case of goodwill, an impairment test is performed by UMG for each CGU.

The value in use of each asset or group of assets is determined, subject to exceptions, as the discounted value of future cash flows Discounted Cash Flow method (DCF) by using cash flow projections consistent with the budget of the following year and the most recent forecasts prepared by the operating segments.

Applied discount rates are determined by reference to available external sources of information, usually based on financial institutions' benchmarks, and reflect the current assessment by UMG of the time value of money and risks specific to each asset or group of assets.

Perpetual growth rates used for the evaluation are those used to prepare budgets for each CGU, and beyond the period covered, are consistent with growth rates estimated by the business by extrapolating growth rates used in the budgets, without exceeding the long-term average growth rate for the markets in which UMG operates.

The fair value (less costs to sell) is the price that would be received from the sale of an asset or group of assets in an orderly transaction between market participants at the measurement date, less costs to sell. These values are generally determined based on market data (stock market prices or comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions) or, in the absence of such data, based on discontinued cash flows.

If the recoverable amount is lower than the carrying value of an asset or group of assets, an impairment loss equal to the difference is recognized in Operating profit. In the case of operating segments, this impairment loss is first recorded against goodwill.

The impairment losses recognized in respect of property, plant and equipment, and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognized. Impairment losses recognized in respect of goodwill cannot be reversed at a later date.

2.4.13. Financial assets

Financial assets are initially recognized at fair value corresponding, in general, to the consideration paid, which is best evidenced by the acquisition cost (including transaction costs, if any). Thereafter, financial assets are measured at fair value or at amortized cost depending on which financial asset category they belong to.

Financial assets are classified into the accounting categories “financial assets at amortized cost”, “financial assets at fair value through other comprehensive income” and “financial assets at fair value through profit or loss”.

This classification depends on UMG‘s business model for managing the financial assets and on contractual terms enabling to determine whether the cash flows are solely payments of principal and interest (SPPI). The financial assets that contain an embedded derivative are considered in full to determine whether their cash flows are SPPI.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and UMG has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value

These include financial assets at fair value through other comprehensive income, derivative financial instruments with a positive value and other financial assets measured at fair value through profit or loss. Most of these financial assets are actively traded in organized financial markets, as their fair value is calculated by reference to the published market price at the period end. Fair value is estimated for financial assets which do not have a published market price on an active market. As a last resort, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market, UMG values financial assets at historical cost, less any impairment losses.

These financial assets are recognized initially on trade date when UMG becomes a party to the contractual provisions of the instrument. Dividend income is recognised when the UMG's right to receive payment is established.

Financial assets at amortized cost

Financial assets at amortised cost include trade receivables, other receivables, loans issued and bank deposits which are not cash equivalents. Loans, receivables and deposits are recognized on the date they are originated.

Financial assets at amortized cost consist of debt instruments as described above held within a business model whose objective is to hold financial assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. At the end of each period, these assets are measured at amortized cost using the effective interest method.

2.4.14. Impairment of financial assets

UMG assesses the expected credit loss associated with its financial assets recognized at amortized cost on a prospective basis. A loss allowance for expected credit loss based on probability of default is recognized at initial recognition. The loss allowance is updated for changes in these expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

To assess whether there has been a significant increase in credit risk, UMG compares the credit risk at the reporting date with the credit risk at the date of initial recognition based on reasonable forward-looking information and events, including credit ratings if available, significant adverse economic changes (actual or expected), financial or business environment that are expected to result in a material change in the borrower's ability to meet its obligations.

Trade accounts receivable are initially recognised at their transaction price. Expected loss rates on trade receivables and contract assets are calculated by the relevant operating entities over their lifetime from initial recognition and are based on historical data that also incorporates forward-looking information. In addition, account receivables from customers subject to insolvency proceedings or customers with whom UMG is involved in litigation or a dispute are generally impaired in full.

2.4.15. Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

Bank overdrafts form an integral part of UMG's cash management and often fluctuate from being positive to overdrawn and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments in securities, investments with initial maturities of more than three months without an early termination option and bank accounts subject to restrictions (blocked accounts), other than restrictions due to regulations specific to a country or activity sector (e.g., exchange controls), are not classified as cash equivalents but as financial assets.

2.4.16. Financial liabilities

A liability is recognized when UMG becomes party to a contract. Regular way purchases and sales of financial instruments are accounted for at the trade date. Initial measurement of financial liabilities is at fair value, including any attributable transaction costs. Financial liabilities are all classified and subsequently measured at amortized cost, except for financial liabilities at fair value via profit and loss, for example derivatives or contingent consideration in a business acquisition. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss. For the financial liabilities subsequently measured at amortised cost the effective interest method is applied. The effective interest rate is the internal yield rate that discounts future cash flows over the term of the financial instrument. In addition, where the financial liability comprises an embedded derivative or an equity instrument, the amortized cost is calculated for the debt component only, after separation of the embedded derivative or equity instrument, if the embedded derivative is not closely related to the host contract and therefore needs to be separated.

2.4.17. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Subsequent accounting for derivatives depends on whether or not the derivatives are designated as hedging instrument in a cash flow, fair value or net investment hedge. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities. UMG did not apply hedge accounting to the derivatives in 2021 and 2022.

UMG measures all derivative financial instruments at fair value derived from market prices of the instruments or calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty.

2.4.18. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost comprises purchase costs, production costs and other supply and packaging costs. These are usually calculated using the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and selling costs. Inventories at UMG mostly comprise of finished goods.

2.4.19. Provisions

Provisions are recognized when, at the end of the reporting period, UMG has a legal obligation (statutory, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be reliably estimated. Where the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. If the amount of the obligation cannot be reliably estimated, no provision is recorded and a disclosure is made in the Notes to the Consolidated Financial Statements. Significant judgment is required in determining the amount and probability of resources outflow and discount rates used to calculate the present value of this outflow.

Provisions for royalty audit claims
Up to the completion of the royalty claim audit, the timing and the amount of the potential pay-outs is uncertain. UMG makes its best possible estimate of the outcome using any available data, including history of claims with rights owners. When the estimate is performed for large homogeneous claims and contract terms, the statistical valuation method is used.

Litigation provisions
In the ordinary course of business, UMG may be involved in a number of legal and arbitration proceedings and administrative actions. The costs which may result from these proceedings are accrued at the reporting date if UMG has a present obligation toward a third party resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of that liability can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk at any time.

2.4.20. Employee benefit plans

Defined contribution plans
Contributions to defined contribution and multi-employer plans are expensed during the year when related services are provided.

Defined benefit plans
Defined benefit plans may be funded by investments in various instruments such as insurance contracts or equity and debt investment securities, excluding shares in any UMG entity or debt instruments.

Pension expenses and defined benefit obligations are calculated by independent actuaries using the projected unit credit method. This method is based on annually updated assumptions, which include the probability of employees remaining with UMG until retirement, expected changes in future compensation and an appropriate discount rate for each country in which UMG maintains a pension plan. The discount rate is determined for each country by reference to yields on notes issued by investment grade companies having a credit rating of AA and maturities identical to that of the valued plans, generally based on relevant rate indices. The expected return on plan assets is estimated by using the selected discount rate to value the obligations of the previous year.

The calculation is performed separately for each plan. A provision is recorded in the Statement of Financial Position equal to the difference between the actuarial value of the related benefits (actuarial liability) and the fair value of any associated plan assets, and this includes past service costs and actuarial gains and losses.

The cost of defined benefit plans consists of three components recognized as follows:
- the service cost is included in selling, general and administrative expenses. It comprises current service cost, past service cost resulting from a plan amendment or a curtailment, immediately recognized in profit and loss, and gains and losses on settlement;
- the financial component, recorded in other financial expenses and income, consists of the unwinding of the interest component of the discount, less the expected return on plan assets determined using the discount rate retained for the valuation of the benefit obligation; and
- the remeasurements of the net defined benefit liability (asset), recognized in items of other comprehensive income not reclassified as profit and loss, mainly consist of actuarial gains and losses, i.e., changes in the present value of the defined benefit obligation and plan assets resulting from changes in actuarial assumptions and experience adjustments (representing the differences between the expected effect of some actuarial assumptions applied to previous valuations and the effective impact).

Where the value of plan assets exceeds benefit obligations, a financial asset is recognized up to the present value of future refunds and the expected reduction in future contributions.

Some other post-employment benefits, such as life insurance and medical coverage (mainly in the United States) are subject to provisions which are assessed through an actuarial calculation comparable to the method used for pension provisions.

2.4.21. Income taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving); and
- deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact net profit, nor tax income or loss.

For deductible temporary differences resulting from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of UMG's ability to utilize tax losses carried forward is to a large extent judgement-based. If the future taxable results of UMG proved to differ significantly from those expected, UMG would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on UMG's Statement of Financial Position and Statement of Profit or Loss.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact net profit, tax income or loss.

For taxable temporary differences resulting from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to equity, and not profit if the tax relates to items that are credited or charged directly to equity. Current tax liabilities not expected to be paid within the next 12 months are recorded as long term current tax liability.

2.4.22. Share-based payments

Equity-settled share-based compensation expense is recognized as a personnel cost over the vesting period of the award at the fair value of the equity instruments granted at the grant date with a corresponding increase in equity. In cases when grant date occurs after the employees to whom the equity instruments were granted have begun rendering services (for example, if a grant of equity instruments is subject to shareholder approval), UMG estimates the grant date fair value of the equity instruments by estimating the fair value of the equity instruments at the end of the reporting period, for the purposes of recognising the services received during the period between service commencement date and grant date. Once the date of grant has been established, UMG revises the earlier estimate so that the amounts recognised for services received in respect of the grant are ultimately based on the grant date fair value of the equity instruments.

Fair value of the shares granted is fixed at the grant date and is equal to the share price at the grant date with a deduction for the aggregate discounted value of the dividends that will not be received over the vesting period, unless the conditions of the plan prescribe compensation for the vesting period dividends, and after taking into account the discount for non-transferability during the retention period.

The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and UMG's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of UMG's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

2.4.23. Related parties
A related party is a person or an entity that is related to UMG. These include both people and entities that have, or are subject to, the influence or control of UMG (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

2.4.24. Contingent liabilities
Non-financial guarantees are accounted for as a contingent liability until such time it becomes probable that UMG will be required to make a payment under the guarantee.

Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not quality for recognition as a provision, unless it is assumed in a business combination. Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

2.4.25. Financial guarantees
Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value and are subject to the expected credit loss model, and a credit loss is recognized for expected cash shortfalls.

2.5. Accounting policy changes

2.5.1. Accounting policy changes originating from the IFRS amendments
The following accounting policy changes originating from the IFRS amendments became effective as at 1 January 2022, however, the impact from their adoption on the Consolidated financial statements of UMG is not material:
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, including;
    - IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
    - IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

UMG applied IFRS Practice Statement 2 - Disclosure of Accounting Policies in its Consolidated financial statements. The Practice Statement provides an overview of the general characteristics of materiality, presents a four-step process companies may follow in making materiality judgements when preparing their financial statements and provides guidance on how to make materiality judgements in specific circumstances, namely, how to make materiality judgements about prior-period information, errors and covenants, and in the context of interim reporting.

UMG used the guidance of the Practice Statement 2 to optimise its material accounting policy information disclosure to include only material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2.5.2. Impact of standards issued but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of UMG's financial statements which are effective for the periods starting January 1, 2023 are disclosed below. UMG intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment to IAS 12 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ related to the recognition of deferred tax when UMG accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. UMG is still investigating the impact of the adoption of IAS 12 amendments on its Consolidated financial statements.

UMG do not expect that the adoption of all other the standards and amendments listed above will have a material impact on the financial statements of the Group in future periods.

Note 3. Segment data

Operating segment data

The operating segment reporting follows the internal reporting used by Management of UMG, to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure are EBITDA and Adjusted EBITDA, non-IFRS measures as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. EBITDA and Adjusted EBITDA are defined in the Appendix of the annual report.

Main aggregates of the Statement of profit or loss

(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and other	Corporate centre	Elimination of intersegment transactions	Total
Year ended December 31, 2022							
External revenue		7,937	1,787	616	–	–	10,340
Intercompany revenue		–	12	2	–	(14)	–
Revenues[1]		**7,937**	**1,799**	**618**	**–**	**(14)**	**10,340**
Adjusted EBITDA		**1,900**	**410**	**36**	**(211)**	**–**	**2,135**
Non-cash share-based compensation expense	23	(73)	(15)	–	(19)	–	(107)
One time direct-listing related expenses		–	–	–	–	–	–
EBITDA		**1,827**	**395**	**36**	**(230)**	**–**	**2,028**
Amortisation and depreciation expense		(204)	(162)	(2)	(9)	–	(377)
Restructuring expenses		(29)	–	(2)	(1)	–	(32)
Gain/(loss) on sale of assets		(1)	(1)	–	–	–	(2)
Impairment on intangible assets		–	(17)	–	–	–	(17)
Other non-recurring items		–	–	–	–	–	–
Operating profit		**1,593**	**215**	**32**	**(240)**	**–**	**1,600**
Financial income							37
Financial expenses							(735)
Income/(loss) from equity affiliates							(2)
Profit before income taxes							**900**

1 2022 External revenues includes a €71 million benefit in Recorded Music from the settlement of a copyright infringement lawsuit with an internet service provider that represents revenue other than revenue from contracts with customers.

(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and other	Corporate centre	Elimination of intersegment transactions	Total
Year ended December 31, 2021							
External revenue		6,821	1,322	361	-	-	8,504
Intercompany revenue		1	13	2	-	(16)	-
Revenues		**6,822**	**1,335**	**363**	**-**	**(16)**	**8,504**
Adjusted EBITDA		**1,614**	**307**	**16**	**(149)**	**-**	**1,788**
Non-cash share-based compensation expense	23	-	-	-	(79)	-	(79)
One time direct-listing related expenses		-	-	-	(23)	-	(23)
EBITDA		**1,614**	**307**	**16**	**(251)**	**-**	**1,686**
Amortisation and depreciation expense		(148)	(95)	(2)	(32)	-	(277)
Restructuring expenses		(18)	(2)	-	-	-	(20)
Gain/(loss) on sale of assets		2	-	-	-	-	2
Impairment on intangible assets		-	-	-	-	-	-
Other non-recurring items		3	-	-	-	-	3
Operating profit		**1,453**	**210**	**14**	**(283)**	**-**	**1,394**
Financial income							143
Financial expenses							(377)
Income/(loss) from equity affiliates							5
Profit before income taxes[1]							**1,165**

1 Restated amounts are presented in Note 2.3.

Revenues by geographic area

UMG has a global network and operates in local countries, which enables it to maintain the relationships with clients and to understand the local market, legal and other conditions. As a result, the geographic basis of the operating companies is the basis in determining the split of revenues from external customers per geographical areas.

(in millions of euros)	Year ended December 31, 2022		Year ended December 31, 2021	
U.S.	5,163	50%	4,082	48%
UK	936	9%	785	9%
Japan	699	7%	628	7%
Germany	499	5%	465	6%
France	399	4%	388	5%
Rest of the world[1]	2,644	25%	2,156	25%
Total revenues	**10,340**	**100%**	**8,504**	**100%**

1 Revenues for the Netherlands was €229 million in 2022 and €183 million in 2021.

Disaggregated revenue information

Recorded Music

(in millions of euros)	Year ended December 31, 2022	Year ended December 31, 2021
Streaming revenue	1,420	1,186
Subscription revenue	3,901	3,295
Downloads and other digital revenue[1]	337	324
Physical revenue	1,207	1,121
License and other revenue	1,072	896
Recorded Music revenue	**7,937**	**6,822**

1 2022 Downloads and other digital revenue includes a €71 million benefit from the settlement of a copyright infringement lawsuit with an internet service provider that represents revenue other than revenue from contracts with customers.

Music Publishing

(in millions of euros)	Year ended December 31, 2022	Year ended December 31, 2021
Performance revenue	371	297
Synchronisation revenue	236	199
Digital revenue	1,040	698
Mechanical revenue	97	95
Other revenue	55	46
Music Publishing revenue	**1,799**	**1,335**

Subscriptions and streaming represents the largest type of recorded music revenue and is recognised over time and is 51% (53% in 2021) of total UMG revenues. Physical recorded music revenues are recognised at a point in time and represent 12% (13% in 2021) of total UMG revenues.

Other Recorded Music revenues mostly include neighbouring rights income which are recognized over time.

Merchandising revenue is recognised at a point in time. Music Publishing revenue is mostly recognised over time.

In 2022, UMG had 3 customers that each individually represented over 10% of total revenues (2 customers in 2021) and which represented total revenues of 18%, 12% and 10% respectively (18%, 12% and 9% in 2021). Each customer reports revenues in both Recorded Music and Music Publishing segments.

The amount of revenue recognized for the year ended December 31, 2022 from performance obligations satisfied (or partially satisfied) in previous periods amounts to €197 million.

Segment assets

Segment assets by Segment

Segment assets that are reported to the executive board include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets mainly comprise of cash and deferred tax assets which are managed at the Group level.

(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and other	Corporate centre	Total
Year ended December 31, 2022						
Goodwill	8	709	769	100	–	1,578
Royalty advances, non-current	9	938	441	214	–	1,593
Catalogues	9	1,247	1,811	–	–	3,058
Property, plant & equipment	10	152	5	–	10	167
Other intangible assets	9	23	23	–	73	119
Right of use relating to leases	11	311	4	1	2	318
Royalty advances, current	9	464	476	44	–	984
Other assets		2,140	616	48	227	3,031
Total segment assets[1]		**5,984**	**4,145**	**407**	**312**	**10,848**
Unallocated assets						791
Total assets						**11,639**
Year ended December 31, 2021						
Goodwill	8	653	727	100	–	1,480
Royalty advances, non-current	9	877	559	100	–	1,536
Catalogues	9	1,165	1,817	–	–	2,982
Property, plant & equipment	10	111	6	–	50	167
Other intangible assets	9	24	21	–	51	96
Right of use relating to leases	11	235	27	–	126	388
Royalty advances, current	9	421	362	61	–	844
Other assets		2,913	469	36	191	3,609
Total segment assets[1]		**6,399**	**3,988**	**297**	**418**	**11,102**
Unallocated assets						992
Total assets						**12,094**

1 Total segment assets in the Netherlands was €931 million in 2022 (€1,769 million in 2021).

Content assets by segment

		December 31, 2022			
(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and other	Total
Catalogues (of music and publishing rights)		1,247	1,811	-	3,058
Royalty advances (to artists and repertoire owners)		1,402	917	258	2,577
Of which:					
Non-current		938	441	214	1,593
Current		464	476	44	984
Content assets, net	9	2,649	2,728	258	5,635
Current content assets		464	476	44	984
Non-current content assets		2,185	2,252	214	4,651

		December 31, 2021			
(in millions of euros)	Note	Recorded Music	Music Publishing	Merchandising and other	Total
Catalogues (of music and publishing rights)		1,165	1,817	-	2,982
Royalty advances (to artists and repertoire owners)		1,298	921	161	2,380
Of which:					
Non-current		877	559	100	1,536
Current		421	362	61	844
Content assets, net	9	2,463	2,738	161	5,362
Current content assets		421	362	61	844
Non-current content assets		2,042	2,376	100	4,518

Note 4. Cost of revenues and selling, general and administrative expenses

		Year ended December 31,	
(in millions of euros)	Note	2022	2021
Included in cost of revenues:			
Artist costs		4,704	3,800
Product costs		1,049	808
Of which:			
Personnel costs		*30*	*27*
Included in selling, general and administrative expenses:			
Depreciation of tangible assets	10	35	34
Depreciation of right of use assets	11	74	68
Personnel costs		1,537	1,380

Personnel costs and average employee numbers

(in millions of euros)	Note	2022	2021
		Year ended December 31,	
Salaries		1,202	1,117
Social security and other employment expenses		167	148
Wages and expenses		**1,369**	**1,265**
Share-based compensation plans	23	128	79
Employee defined contribution plans		48	41
Employee defined benefit plans	22	6	5
Other		16	17
Personnel costs		**1,567**	**1,407**
Annual average number of full-time equivalent employees (in thousands)		*9.5*	*9.1*

Note 5. Financial income and expenses

(in millions of euros)	Note	2022	2021
		Year ended December 31,	
Interest income from cash, cash equivalents and other		20	6
Change in fair value of financial instruments through profit or loss		-	23
Gain on disposal of consolidated companies		-	98
Expected return on plan assets related to employee benefit plans	22	3	3
Gain on derivative instruments at fair value through profit or loss[1]		13	-
Foreign exchange gain		-	11
Other		1	2
Financial income		**37**	**143**
Interest expense on borrowings		(47)	(21)
Change in fair value of financial instruments through profit or loss		(654)	(320)
Unwinding of interest component		(1)	(1)
Interest cost related to employee benefit plans	22	(6)	(5)
Interest expenses on lease liabilities	11	(14)	(16)
Foreign exchange loss		(1)	-
Cost of finance		(9)	(11)
Other		(3)	(3)
Financial expenses		**(735)**	**(377)**
Net total financial income and (expenses)		**(698)**	**(234)**

1 The net gain on derivative instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting.

Note 6. Income taxes

Income taxes and income tax paid by geographic area

	Year ended December 31,	
(in millions of euros)	2022	2021
(Expense)/income		
Current		
United States	(185)	(141)
United Kingdom	(24)	(14)
Rest of Europe	(127)	(47)
Rest of the world	(11)	(117)
	(347)	**(319)**
Deferred		
United States	9	(4)
United Kingdom	(1)	16
Rest of Europe	189	27
Rest of the world[1]	35	3
	232	**42**
Income taxes	**(115)**	**(277)**

1 Included the deferred tax charge relating to the revaluation gain recorded through profit or loss related to the investments in Spotify, Tencent Music Entertainment and other investments for an aggregate amount of €166 million in 2022, compared to €71 million expense in 2021.

Income tax paid

	Year ended December 31,	
(in millions of euros)	2022	2021
United States	(187)	(139)
United Kingdom	(22)	(20)
Rest of Europe	(36)	(37)
Rest of the world[1]	(10)	(59)
Income tax (paid)/collected	**(255)**	**(255)**

1 Includes refunds of €62 million related to two litigations finalised before tax courts in 2022 (the 2021 amount includes €3 million payments as assessed for these litigations).

Effective tax rate

	Year ended December 31,	
(in millions of euros)	2022	2021
Net profit	**785**	**888**
(Income)/loss from equity affiliates	2	(5)
Income taxes	115	277
Profit before income taxes excluding (income)/loss from equity affiliates	**902**	**1,160**
Dutch statutory tax rate	*25.8%*	*25.0%*
Theoretical provision for income taxes based on Dutch statutory tax rate	**(233)**	**(290)**
Reconciliation of the theoretical and effective provision for income taxes		
Earnings tax rate differences	59	32
Impacts of the changes in tax rates	1	(14)
Use or recognition of tax attributes[1,2]	19	83
Adjustments to tax expense from previous years	26	8
Settled tax litigations[3]	90	(11)
Withholding taxes	(72)	(56)
United States tax components		
Base Erosion and Anti-Abuse tax (BEAT) addback[2]	–	(48)
Foreign Derived Intangible Income (FDII) deduction	31	22
State taxes (net of Federal Income Tax benefit)	(29)	(25)
Other	(10)	22
Provision for income taxes	**(115)**	**(277)**
Effective tax rate	**12.7%**	**23.9%**

1 Tax attributes includes tax losses and tax credits, both for the use of previously unrecognized attributes as for prior years attributes recognised this year for expected utilisation in future years.

2 In 2021 in the United States the benefit of €80 million on the utilisation of tax attributes is, by virtue of how the tax rules apply, largely offset by the Base Erosion and Anti-Abuse Tax addback. In 2022, there is no addback due to a low amount of tax attributes used.

3 This represents the beneficial impact of two litigations finalised before tax courts in 2022 (the 2021 amount reflects the accrual recorded for these litigations in 2021).

Excluding previous years' adjustments and the impacts of the tax litigations to income tax expense, the effective tax rate would have been 27.8% in 2022 and 24.1% in 2021.

Deferred tax assets and liabilities

Changes in deferred tax assets/(liabilities), net

	Year ended December 31,	
(in millions of euros)	2022	2021
Opening balance of deferred tax assets/(liabilities)	**(446)**	**(482)**
Income taxes	231	42
Expenses and income directly recorded in equity	(14)	4
Other business combinations	–	–
Changes in foreign currency translation adjustments and other	(3)	(10)
Closing balance of deferred tax assets/(liabilities), net	**(232)**	**(446)**

Components of deferred tax assets and liabilities

	Year ended December 31,	
(in millions of euros)	2022	2021
Deferred tax assets		
Recognizable deferred taxes		
Tax attributes[1]	98	111
Of which		
Universal Music US and its subsidiaries	*8*	*8*
Universal Music UK and its subsidiaries	*51*	*61*
Universal Music and its subsidiaries in the rest of Europe	*19*	*22*
Universal Music and its subsidiaries in the rest of the world	*20*	*20*
Other	358	415
Of which		
non-deductible provisions	*61*	*49*
employee benefits	*37*	*21*
working capital	*149*	*158*
Other	*111*	*187*
Total gross deferred tax assets	***456***	***526***
Deferred taxes, unrecognized		
Tax attributes[1]	(82)	(103)
Of which		
Universal Music US and its subsidiaries	*(6)*	*(5)*
Universal Music UK and its subsidiaries	*(38)*	*(59)*
Universal Music and its subsidiaries in the rest of Europe	*(18)*	*(19)*
Universal Music and its subsidiaries in the rest of the world	*(20)*	*(20)*
Other	(26)	(19)
Total deferred tax assets, unrecognized	(108)	(122)
Recorded deferred tax assets	348	404
Deferred tax liabilities		
Asset revaluations[2]	(198)	(204)
Working capital	(163)	(226)
Financial instruments[3]	(124)	(351)
Other	(95)	(69)
Recorded deferred tax liabilities	(580)	(850)
Deferred tax assets/(liabilities), net	(232)	(446)

1 As shown in this table, the amounts of gross tax attributes (including tax losses and tax credits) were estimated at the end of the relevant fiscal years. As a result, the amount of tax attributes shown in this table and the amount reported to tax authorities at the time of the filing of the tax returns may differ, and if necessary, may need to be adjusted in this table at the end of the following year. Deferred tax assets have not been recognised in respect of gross tax attributes for € 1,279 million (2021: € 1,346 million), as it is not probable that there will be future taxable profits within the entities against which these can be utilised.

2 These tax liabilities, stemming from asset revaluations and resulting from the purchase price allocation of entities acquired by UMG, are cancelled upon amortization or divestiture of the related assets and do not and will not generate any current tax liabilities.

3 Primarily related to the deferred tax liabilities stemming from the revaluation of the investments in Spotify, Tencent Music Entertainment and other investments.

Tax litigation

In the normal course of their business, UMG is subject to tax audits by the relevant tax authorities in the countries in which it conducts or has conducted business. Various tax authorities have proposed ordinary adjustments to the financial results reported by UMG for fiscal year 2021 and prior years, under statutes of limitation applicable to UMG. In litigation situations, UMG's policy is to pay the taxes it intends to contest, and to seek a refund through appropriate legal proceedings. Regarding ongoing tax audits, no provision is recorded where the impact that could result from an unfavourable outcome cannot be reliably assessed. To date, UMG believes that these tax audits are unlikely to have a material impact on the Group's financial position or liquidity

Note 7. Earnings per share

	Year ended December 31,	
(in millions of euros and shares)	2022	2021
Net profit attributable to equity holders of the parent	**782**	**886**
Weighted average number of shares outstanding (after deduction of treasury shares) during the year	1,813	1,813
Potential dilutive effects related to share-based compensation	3	1
Diluted weighted average number of shares	**1,816**	**1,814**
Earnings per share *(in euros)*		
Basic earnings per share	0.43	0.49
Diluted earnings per share	0.43	0.49

Note 8. Goodwill

Changes in goodwill

	Year ended December 31,	
(in millions of euros)	2022	2021
Balance as at January 1		
Goodwill, gross	1,567	1,451
Accumulated impairment losses	(87)	(82)
Goodwill, net	**1,480**	**1,369**
Changes in book value:		
Acquisitions	19	9
Impairment losses	(7)	-
Foreign currency translation adjustments	86	102
Total changes	**98**	**111**
Balance as at December 31		
Goodwill, gross	1,678	1,567
Accumulated impairment losses	(100)	(87)
Goodwill, net	**1,578**	**1,480**

Goodwill by cash generating unit

	Year ended December 31,	
(in millions of euros)	2022	2021
Recorded Music	709	653
Music Publishing	769	727
Merchandising & Other	100	100
Closing balance	**1,578**	**1,480**

Cash generating units

For impairment testing, goodwill is allocated to cash-generating units, which represent the lowest level at which the goodwill is monitored internally for management purposes. The cash-generating units correspond to the operating segments. UMG's financial reporting is managed at the level of operating segments consistent across the music industry (Recorded Music, Music Publishing, and Merchandising). UMG test goodwill at the cash-generating units level which corresponds to the operating segments as disclosed in Note 3 above.

Goodwill impairment test

UMG conducted the full annual impairment test in the fourth quarter of 2022.

The goodwill was tested for impairment by comparing it with a recoverable amount. The recoverable amount is determined as the higher of the value in use determined by the discounted value of future cash flows (Discounted Cash Flow method (DCF)) and the fair value (less costs to sell), determined on the basis of market data (stock market prices, comparable listed companies, comparison with the value attributed to similar assets or companies in recent acquisition transactions). For a description of the methods used for the impairment test, please refer to Note 2.

Key assumptions used in the impairment tests for the cash-generating units were sales growth rates and the rates used for discounting the projected cash flows. These cash flow projections were determined using management's internal forecasts that cover an initial period of 2023 to 2027 that matches the period used for our strategic planning process, after which a terminal value was calculated. The sales growth rates used to estimate cash flows are based on:

- past performance, including the label pool revenue forecasts derived from commercial agreements with customers;
- external market growth assumptions among which is the overall population and corresponding growth in streaming penetration rate among the population;
- expected market share developments;
- industry long-term growth averages.

Key assumptions

	2022			2021		
In % per year	Compound Annual Revenue Growth 2023-2027	Extrapolation revenue growth rate after 2027	Pre-tax discount rates	Compound Annual Revenue Growth 2022-2026	Extrapolation revenue growth rate after 2026	Pre-tax discount rates
Recorded Music	5.0%	3.4%	8.2%	7.3%	2.5%	6.9%
Music Publishing	3.9%	3.4%	8.2%	5.6%	2.5%	6.9%
Merchandising	10.8%	2.0%	8.2%	9.4%	2.5%	6.9%

The annual impairment test for Recorded Music, Music Publishing and Merchandising showed significant headroom and management did not identify an impairment for these CGUs. The sensitivity analysis around the key assumptions in the impairment tests have indicated that a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value. Impairment losses presented in the tables above relates to a disposal of a minor operation within Music Publishing.

Note 9. Content assets (catalogues and royalty advances) and other intangibles

Net book value

December 31, 2022			
(in millions of euros)	Asset value, gross	Accumulated amortisation and impairment losses	Net book value
Catalogues (of music and publishing rights)	5,732	(2,674)	3,058
Royalty advances (to artists and repertoire owners)	2,577	-	2,577
Content assets	**8,309**	**(2,674)**	**5,635**
Other intangible assets	489	(370)	119

December 31, 2021			
(in millions of euros)	Asset value, gross	Accumulated amortisation and impairment losses	Net book value
Catalogues (of music and publishing rights)	5,284	(2,302)	2,982
Royalty advances (to artists and repertoire owners)	2,380	-	2,380
Content assets	**7,664**	**(2,302)**	**5,362**
Other intangible assets	437	(341)	96

Changes in content assets and other intangibles

(in millions of euros)	Catalogues (of music and publishing rights)	Royalty advances (to artists and repertoire owners)	Other intangibles	Total
Balance December 31, 2020	2,330	1,859	79	4,268
Amortisation	(144)	–	(31)	(175)
Impairment	–	–	–	–
Additions	630	1,434	48	2,112
Disposals	–	–	–	–
Recoupments	–	(1,046)	–	(1,046)
Business combinations	–	–	–	–
Changes in foreign currency translation adjustments and other	166	133	–	299
Balance December 31, 2021	2,982	2,380	96	5,458
Amortisation	(233)	–	(35)	(268)
Impairment	(10)	–	–	(10)
Additions	137	1,187	54	1,378
Disposals	(3)	–	–	(3)
Recoupments	–	(1,122)	–	(1,122)
Business combinations	6	–	1	7
Changes in foreign currency translation adjustments and other	179	132	3	314
Balance December 31, 2022	3,058	2,577	119	5,754

Royalty advance payments, net on the Consolidated Statement of Cash Flows consists of additions and recoupments from the changes in content assets table above.

The significant music catalogues and publishing rights were acquired through business combinations of BMG Publishing (BMG) and EMI Recorded Music (EMI). The BMG catalogue was acquired in 2007 with a fair value of €1,241 million and has carrying amount of €378 million (2021: €413 million) with a remaining useful life of 5 and 35 years for the respective catalogue components. The EMI catalogue was acquired in 2012 with a fair value of €1,046 million, and has a carrying amount of €548 million (2021: €553 million) with a remaining useful life of 10 and 40 years for the respective catalogue components.

Note 10. Property, plant and equipment

(in millions of euros)	Land and buildings	Equipment and machinery	Other fixed assets	Assets under construction	Total
Cost					
Balance as at January 1, 2022	**234**	**111**	**74**	**9**	**428**
Additions	4	4	1	24	33
Transfers and reclassifications	5	5	3	(13)	-
Disposals	(5)	(4)	(2)	(1)	(12)
Changes in foreign currency translation adjustments and other	3	3	2	1	9
Balance as at December 31, 2022	**241**	**119**	**78**	**20**	**458**
Depreciation and impairment losses					
Balance as at January 1, 2022	**(120)**	**(90)**	**(51)**	**-**	**(261)**
Depreciation during the year	(18)	(10)	(7)	-	(35)
Disposals	5	3	3	-	11
Changes in foreign currency translation adjustments and other	(2)	(2)	(2)	-	(6)
Balance as at December 31, 2022	**(135)**	**(99)**	**(57)**	**-**	**(291)**
Carrying amount					
As at January 1	114	21	23	9	167
As at December 31	106	20	21	20	167

(in millions of euros)	Land and buildings	Equipment and machinery	Other fixed assets	Assets under construction	Total
Cost					
Balance as at January 1, 2021	**220**	**77**	**65**	**19**	**381**
Additions	3	3	3	4	13
Transfers and reclassifications	4	15	3	(22)	-
Disposals	(4)	-	-	-	(4)
Changes in foreign currency translation adjustments and other	11	16	3	8	38
Balance as at December 31, 2021	**234**	**111**	**74**	**9**	**428**
Depreciation and impairment losses					
Balance as at January 1, 2021	**(103)**	**(59)**	**(43)**	**-**	**(205)**
Depreciation during the year	(18)	(10)	(6)	-	(34)
Disposals	-	-	-	-	-
Changes in foreign currency translation adjustments and other	1	(21)	(2)	-	(22)
Balance as at December 31, 2021	**(120)**	**(90)**	**(51)**	**-**	**(261)**
Carrying amount					
As at January 1	117	18	22	19	176
As at December 31	114	21	23	9	167

Note 11. Leases

Changes in the rights-of-use

(in millions of euros)	Year ended December 31, 2022	2021
Opening balance	**388**	**416**
Depreciation	(74)	(68)
Additions	25	32
Disposals	(26)	(12)
Foreign currency translations and other	5	20
Closing balance	**318**	**388**

Lease liabilities

(in millions of euros)	Note	Year ended December 31, 2022	2021
Opening balance		**501**	**525**
Additions		26	32
Disposals		(26)	(15)
Accretion of interest	5	14	16
Payments		(100)	(86)
Of which interest		*(14)*	*(16)*
Of which principal		*(86)*	*(70)*
Foreign currency translations and other		8	29
Closing balance		**423**	**501**

Maturity of lease liabilities

(in millions of euros)	Year ended December 31, 2022	2021
Maturity		
< 1 year	77	80
Between 1 and 5 years	228	256
> 5 years	118	165
Lease liabilities	**423**	**501**

Cash outflow for leases and lease-related expenses

Total cash outflow and expenses for the leases of real-estate with maturity shorter than 12 months and expense relating to low-value assets recorded in the Statement of Profit or Loss amounted to €18 million for the year ended December 31, 2022 (compared to €13 million for the year ended December 31, 2021).

Note 12. Investments in equity affiliates

UMG has certain interests in joint ventures and companies where UMG has significant influence. The main company over which UMG had significant influence at the reporting date was Vevo LLC (Vevo). Vevo is a global music videos and entertainment services platform and its country of incorporation is the United States. UMG owns 49.2% of the voting interest and the carrying amount of this investment was €74 million on December 31, 2022 (2021: €70 million).

Change in value of investments in equity affiliates

	Year ended December 31,	
(in millions of euros)	2022	2021
Opening balance	**109**	**72**
Acquisitions	47	28
Business combinations	–	–
Write-downs	(2)	–
Income/(loss) from equity affiliates	(2)	5
Change in other comprehensive income	6	5
Dividends	(2)	(2)
Translation difference	–	1
Closing balance	**156**	**109**

Note 13. Capital and financial risk management

Capital risk management

UMG objectives when managing capital are to safeguard UMG's ability to continue to create value for shareholders, support the sustainable growth of the Group, and to maintain an optimal capital structure that optimizes its cost of capital. As a result, UMG endeavours to maintain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds.

On 31 May 2022, UMG NV announced Baa1/BBB Long Term Credit Ratings from Moody's and S&P. These investment grade ratings are the financial covenants UMG committed to sustaining. In relation to the EUR RCF, if UMG does not have these ratings by Moody's and S&P or a comparable rating from an internationally recognized credit rating agency, its Leverage Ratio shall be equal to or below 4.0x.

UMG and its subsidiaries are not subject to external capital requirements, other than the financial covenants as disclosed above.

To support this strategic goal, UMG management remains focused on the robust performance of the Free Cash Flow, a non-IFRS measure as defined in the definitions in the Appendix to the Annual Report, and effective Working Capital management, details on both are presented below.

Free cash flow

	Year ended December 31,	
(in millions of euros)	2022	2021
Operating profit[1]	**1,600**	**1,394**
Amortisation and depreciation expense	377	277
Impairment expense	17	–
Changes in provision, net	65	8
(Gain)/loss on sale of assets	2	(2)
Other non-recurring items	–	(3)
Adjustments[1]	**461**	**280**
Royalty advance payments, net of recoupments	(148)	(364)
Other changes in net working capital	74	85
Net cash provided by/(used for) operating activities before income tax paid	**1,987**	**1,395**
Income tax paid	(255)	(255)
Net cash provided by/(used for) operating activities	**1,732**	**1,140**
Net cash provided by/(used for) investing activities	**(520)**	**(391)**
Repayment of lease liabilities and related interest expenses	(100)	(86)
Interest, net	(30)	(17)
Other cash items related to financing activities	4	(8)
Free cash flow	**1,086**	**638**

1 Restated as described in Note 2.3.

Changes in working capital

(in millions of euros)	December 31, 2021	Changes in operating working capital[1]	Business combinations	Changes in foreign currency translation adjustments	Other[2]	December 31, 2022
Inventories[3]	99	62	-	2	-	163
Trade accounts receivable and other	1,803	203	1	11	(4)	2,014
Of which:						
Trade accounts receivable	*550*	*22*	*1*	*4*	*3*	*580*
Expected credit losses	*(46)*	*(14)*	-	-	*(2)*	*(62)*
Working capital assets	**1,902**	**265**	**1**	**13**	**(4)**	**2,177**
Trade accounts payable and other	(4,875)	(333)	(2)	(113)	173	(5,150)
Other non-current liabilities	(769)	(6)	(3)	(14)	355	(437)
Working capital liabilities	**(5,644)**	**(339)**	**(5)**	**(127)**	**528**	**(5,587)**
Net working capital	**(3,742)**	**(74)**	**(4)**	**(114)**	**524**	**(3,410)**

1 Excludes content investments.

2 Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments.

3 Total inventory obsolescence expense for the period was €69 million.

(in millions of euros)	December 31, 2020	Changes in operating working capital[1]	Business combinations	Changes in foreign currency translation adjustments	Other[2]	December 31, 2021
Inventories[3]	79	17	-	3	-	99
Trade accounts receivable and other	1,641	126	-	40	(4)	1,803
Of which:						
Trade accounts receivable	*538*	*17*	-	*12*	*(17)*	*550*
Expected credit losses	*(62)*	*9*	-	*(1)*	*8*	*(46)*
Working capital assets	**1,720**	**143**	-	**43**	**(4)**	**1,902**
Trade accounts payable and other	(4,126)	(226)	-	(201)	(322)	(4,875)
Other non-current liabilities	(851)	(2)	-	(19)	103	(769)
Working capital liabilities	**(4,977)**	**(228)**	-	**(220)**	**(219)**	**(5,644)**
Net working capital	**(3,257)**	**(85)**	-	**(177)**	**(223)**	**(3,742)**

1 Excludes content investments.

2 Mainly includes the change in net working capital relating to content investments, capital expenditures and other investments.

3 Total inventory obsolescence expense for the period was €40 million.

Financial risk management

UMG business activities expose the Group to a variety of risks associated with financial instruments, including credit risk, liquidity risk, interest rate risk, foreign currency risk and market risks.

These risks are inherent to how UMG operates as a multinational with locally operating subsidiaries. To manage these risks, UMG has developed specific policies. The essence of measuring the performance of these policies is to strike a balance between managing risks and contributing to the financial results of UMG. UMG policies are risk-adverse in that regard. Enforcement of procedures related to financial risk management is carried out by UMG Group Treasury in line with the guiding principles of the Group Treasury Policies.

Credit risk

Credit risk can be defined as the risk of loss arising from the failure of a counterparty to perform its obligations under a contract.

Credit risk maximum exposure is equal to the carrying amounts of Trade and other receivables, refer to Note 14, and Cash position and borrowings, refer to Note 16, as presented in the Statement of Financial Position. Also, for the derivatives and assets at fair value via profit and loss, the maximum exposure to credit risk at the end of the reporting period is equal to the carrying amount, refer to Note 18 *Financial assets and liabilities*. The maximum credit risk exposure on guarantees issued corresponds to their nominal amounts, as presented in Note 17 *Contractual obligations and other commitments.*

UMG aims to centralize its cash management with its Tier 1 banks, of which all the banks have credit ratings of minimum of A-.

UMG performs ongoing evaluations of the financial and non-financial condition of UMG customers and adjusts credit limits when appropriate. In instances where a customer's creditworthiness is determined not to be sufficient to grant the required credit limit, there are several mitigation tools that can be utilized to close the gap, including reducing payment terms, cash on delivery, prepayments and pledges on assets.

UMG's operational subsidiaries have set up procedures and systems to track their trade accounts receivable and recover outstanding amounts. In addition, some subsidiaries have insured their main client credit risks worldwide with a leading credit insurer.

Liquidity risk

Liquidity risk is the risk that UMG will not be able to meet its financial obligations as they fall due.

The primary objective of liquidity management is providing sufficient cash to enable UMG to meet its liabilities when due, under normal and stressed conditions, without incurring losses.

Neither the aged receivables of individual customers, nor the profile of the accounts receivable portfolio per segment, impose a significant threat to UMG's liquidity planning.

UMG Treasury provides for the short-term day-to-day cash management needs of the Group by organizing sweeps between international cash poolings. For medium term financing requirements, UMG Group Treasury determines the Group's overall debt position and its planned evolution based on the Group's 13-month rolling cash forecast. A liquidity analysis is performed to ensure the proper funding is in place to face medium-term needs.

Cash is extracted from countries outside the cash pooling through dividends or thanks to upstream loans. Cash is pooled up to UMG NV from all territories participating in the international cash pooling.

The objectives of liquidity management are to repay the external debt at the level of UMG NV (€ debt) and to pay the UMG NV dividend to the Group's shareholders. The list of permitted banks for liquidity management includes eight banks with minimum rating of A-.

The liquidity analysis includes a buffer of €400 million to provide for intra-month treasury swings and the incompressible treasury float. Adequate bank facilities are available as backup for Commercial paper. The maturity schedule for long-term external debt is maintained above 3 years. UMG Treasury ensures central compliance with financial covenants, pari-passu, and negative pledge clauses.

Total cash and cash equivalents position as at December 31, 2022, is disclosed in Note 16 *Cash positions and borrowings.* Contractual obligations and their timing are disclosed in Note 17 *Contractual obligations and other commitments.* In addition, as at December 31, 2022, UMG has undrawn Revolving Credit Facilities (RCF) of €1,266 million.

Market risk

Market risk is the possibility that an entity will experience losses due to factors that affect the financial markets. Market risk includes currency risk and interest rate risk as addressed below, but also risk of change in fair value of the financial instruments, including those traded on the active markets. As at December 31, 2022, UMG held financial instruments measured at fair value as disclosed in Note 18, where the exposure of the risk and sensitivity are presented.

UMG risk management policies cover refinancing risk to ensure that under any market circumstances, UMG can refinance its debt on time and a reasonable cost. The objectives of refinancing risk management are to benefit from sufficient flexibility granted by the access to various capital markets (EUR CPs and Bonds) and the ability to sell assets to not rely solely on bank borrowings or commercial paper.

Interest rate risk

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument fluctuating because of changes in the market interest rates. Financial instruments included in the borrowings create an inherent interest rate risk.

UMG seeks to limit the period over which interest rates on debt are exposed. The preferred method of hedging interest rate risk is issuing long term fixed-rate bonds. The use of interest-rate plain vanilla derivatives is also authorized. The list of authorized instruments includes interest rate swaps, FRAs, caps, and floors.

As for currency risk management, interest rate hedging operations are handled solely by UMG Treasury according to the Group's strategic goals set by the Group Chief Financial Officer. The speculative use of interest rate derivatives is strictly prohibited.

As of December 31, 2022, UMG had a ratio of fixed-rate debt to total outstanding debt of approximately 79%, including lease liabilities. A sensitivity analysis conducted in January 2023 on the gross debt portfolio shows that if short term EURIBOR were to increase instantaneously by 0.5% from their level of December 31, 2022, with all other variables held constant, the total change in annualized interest expense result would be €5 million.

Foreign currency risk

As any multinational group, UMG faces various types of foreign exchange transactional exposures on committed and expected cash in and outflows, denominated in a currency other than the respective functional currencies of UMG entities. Subsequently, UMG also faces translational risk, which is the risk resulting from the translation of foreign operations into the euro. The main currencies that drive the foreign currency risk of UMG are U.S. Dollar, British Pound and Japanese Yen.

UMG's exposure to FX transactional risk is greatly limited due to the offsetting of inflows/outflows in the different currencies to the extent possible as a natural hedge. UMG Treasury mainly manages foreign exchange rate risk exposure on balance sheet positions, primarily cash concentration in various currencies at the top cash pooling entity. Treasury's foreign exchange risk management policy is to hedge recognized assets and liabilities nominated in foreign currencies above a predefined threshold. UMG uses forward exchange rate contracts and foreign exchange swaps to manage this exposure. All material foreign currency balance sheet exposures are offset by derivatives, so potential foreign currency rate fluctuations as of December 31, 2022 would have no significant impacts on UMG's financial results. In 2022, UMG did not apply hedge accounting to these derivatives. Currency derivatives are not used for speculative purposes. The average maturity of these contracts is one month.

The table below summarises the net nominal value of the foreign currency balance sheet exposure and foreign exchange rate derivatives used to offset it as of December 31, 2022.

(in millions of euros)	USD	GBP	JPY	Other	Total
Nominal value of Balance sheet exposure	294	366	271	392	1,323
Foreign exchange rate derivatives	(294)	(366)	(271)	(392)	(1,323)
Net exposure	–	–	–	–	–

Note 14. Trade and other receivables

	Year ended December 31,	
(in millions of euros)	2022	2021
Trade receivables	1,765	1,598
Other receivables	249	205
Trade receivables, net of value allowance	**2,014**	**1,803**

Out of the total amount of trade receivables, €1,247 million (2021: €1,094 million) was recognized as accrued revenue as at 31 December, 2022.

	Year ended December 31,	
(in millions of euros)	2022	2021
Current	1,698	1,543
Overdue 0-30 days	46	44
Overdue 31-150 days	21	11
Overdue >150 days	–	–
Trade receivables, net of value allowance	**1,765**	**1,598**

For the movements of the expected credit loss allowance and the credit risk management policies and procedures of UMG please refer to Note 13 *Capital and financial risk management*.

Note 15. Trade and other accounts payable

	Year ended December 31,	
(in millions of euros)	2022	2021
Trade accounts payable	138	146
Music royalties to artists and repertoire owners	3,523	3,020
Accrued expenses	401	385
Other payables	711	936
Trade and other accounts payable	**4,773**	**4,487**
Contract liabilities	377	388
Trade accounts payable and other	**5,150**	**4,875**

Out of the total amount of €388 million recognized in contract liabilities at the beginning of 2022, €320 million has been recognized as revenue for the year ended December 31, 2022.

Note 16. Cash position and borrowings

Cash position

	Year ended December 31,	
(in millions of euros)	2022	2021
Cash and cash equivalents	439	585
Bank overdrafts	(1)	(13)
Cash and cash equivalents in the statement of cash flows[1]	**438**	**572**

1 Restated as described in Note 2.3.

UMG operates in a number of territories where regulations do not authorise participation of local entities to the UMG global cash pooling. Only dividends and intra-group invoices are available to extract cash from these territories. The amount of cash held by UMG entities in these countries amounted to €373 million as of December 31, 2022.

Borrowings and other financial liabilities

	December 31, 2022			December 31, 2021		
(in millions of euros)	Total	Long-term	Short-term	Total	Long-term	Short-term
Bonds	1,004	987	17	-	-	-
Term facility	-	-	-	998	798	200
Drawn revolving credit facilities	125	125	-	1,447	1,447	-
Commercial papers	929	-	929	-	-	-
Bank overdrafts	1	-	1	13	-	13
Other	191	1	190	137	32	105
Borrowings at amortized cost	**2,250**	**1,113**	**1,137**	**2,595**	**2,277**	**318**
Cash and cash equivalents	**(439)**	-	(439)	**(585)**	-	(585)
Derivative financial assets	**(1)**	-	(1)	**-**	-	-
Net debt	**1,810**			**2,010**		

New borrowings

In February 2022, UMG entered into a short-term floating rate USD 500 million revolving credit facility. At maturity on November 14, 2022, the facility was extended to November 14, 2023. The facility was renewed for USD 500 million and is stepping down to USD 350 million by December 30, 2022. By December 31, 2022, no drawing was made from the facility.

On June 30, 2022, UMG issued €500 million of senior unsecured notes due on June 30, 2027 with a coupon of 3.00% and €500 million of senior unsecured notes due on June 30, 2032 with a coupon of 3.75%. On July 1, 2022, the net proceeds from the issuance of the unsecured senior notes of €1 billion were used to fully repay the Term loan. See Note 13 for information on covenants associated with new borrowings.

On July 8, 2022, UMG established a EUR commercial paper program. Under the Program, UMG may issue, from time to time, commercial paper notes up to a maximum aggregate amount of €1 billion. The proceeds from the issuance will be used firstly to pay down UMG's revolving credit facility and manage short-term liquidity needs from the Group.

Movements of borrowings

(in millions of euros)	Term facility	Drawn revolving credit facilities	Bonds	Vivendi SE borrowings	Vivendi SE credit lines drawn	UMG own credit lines drawn	Bank overdrafts	Commercial papers	Other debt	Total
Balance December 31, 2020	-	-	-	2,368	422	213	5	-	1	3,009
New borrowings	998	1,981	-	-	40	20	9	-	137	3,185
Repayments	-	(556)	-	(2,368)	(465)	(235)	-	-	-	(3,624)
Translation differences and other movements	-	22	-	-	3	2	(1)	-	(1)	25
Balance December 31, 2021	998	1,447	-	-	-	-	13	-	137	2,595
New borrowings	8	1,722	1,004	-	-	-	1	3,117	87	5,939
Repayments	(1,006)	(3,126)	-	-	-	-	(13)	(2,188)	(34)	(6,367)
Translation differences and other movements	-	82	-	-	-	-	-	-	1	83
Balance December 31, 2022	-	125	1,004	-	-	-	1	929	191	2,250

Note 17. Contractual obligations and other commitments

UMG's material contractual obligations and contingent assets and liabilities include:

- Contractual content commitments. UMG routinely commits to pay agreed amounts to artists and other parties upon delivery of content or other products ("Creative talent and employment agreements"). Until the artist or the other party has delivered his or her content or until the recoupment of an advance, UMG discloses its obligation as an off-balance sheet commitment;
- Certain contractual obligations relating to the UMG's business operations, including leases and off-balance sheet commercial commitments, such as long-term service contracts and purchase or investment commitments; and
- Commitments related to UMG's financing: term loan and drawn committed bank credit facilities.

Contractual obligations

The table below analyses UMG's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Interest on long-term debt is based on floating rate adjustments according to market expectations.

	Minimum future payments as of December 31, 2022				Total minimum future payments as of
		Payments due in			
(in millions of euros)	Total	1 year	2-5 years	After 5 years	December 31, 2021
Borrowings and other financial liabilities	**2,506**	1,272	640	594	2,618
Lease liabilities	**472**	90	257	125	562
Music royalties to artists and repertoire owners	**3,542**	3,523	12	7	3,034
Creative talent and employment agreements and others	**470**	259	197	14	757
Other payables	**1,156**	950	31	175	1,425
Consolidated statement of financial position items	**8,146**	**6,094**	**1,137**	**915**	**8,396**
Contractual content commitments	**1,562**	836	701	25	1,570
Other commitments	**247**	74	150	23	71
Total off-balance sheet commitments	**1,809**	**910**	**851**	**48**	**1,641**
Total	**9,955**	**7,004**	**1,988**	**963**	**10,037**

Note 18. Financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities according to their fair value hierarchy. Based on the nature, maturity or the magnitude of the amounts, UMG considers that the fair value of trade and other receivables, short-term deposits, loans receivable, borrowings, trade and other payables are not materially different from their carrying value.

Fair value hierarchy is based on the transparency of the inputs used and is as follows:
- Level 1: fair value measurement based on quoted prices in active markets for identical assets or liabilities;
- Level 2: fair value measurement based on observable market data (other than quoted prices included under Level 1), being for example, price on the last transactions on over-the-counter (OTC) markets; and
- Level 3: fair value measurement based on valuation techniques using inputs for the asset or liability that are not based on observable market data.

	December 31, 2022			
		Fair value		
(in millions of euros)	Carrying amount	Level 1[1]	Level 2	Level 3
Financial assets at fair value through profit and loss				
Listed equity securities	597	597	–	–
Unlisted equity securities	–	–	–	–
Warrants	–	–	–	–
Other financial assets	51	–	36	15
Trade and other receivables	1	–	1	–
Financial assets at fair value through other comprehensive income				
Listed equity securities through OCI	1	1	–	–
Unlisted equity securities	19	–	–	19
Financial assets at amortised cost				
Trade and other receivables	2,013	–	–	–
Other financial assets	22	–	–	–
Total financial assets	**2,704**	**598**	**37**	**34**
Financial liabilities at amortised cost				
Trade and other payables	(5,150)	–	–	–
Bonds	(1,004)	(987)	–	–
Borrowings, excluding bank overdrafts and bonds	(1,262)	–	–	–
Other non-current liabilities	(437)	–	–	–
Total financial liabilities	**(7,853)**	**(987)**	**–**	**–**

1 Includes transfer of €31 million of equity securities from level 2 to level 1.

	December 31, 2021			
		Fair value		
(in millions of euros)	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss				
Listed equity securities	1,413	1,413	-	-
Unlisted equity securities	44	-	44	-
Warrants	19	-	19	-
Other financial assets	68	-	57	11
Trade and other receivables	-	-	-	-
Financial assets at fair value through other comprehensive income				
Listed equity securities through OCI	-	-	-	-
Unlisted equity securities	16	-	-	16
Financial assets at amortised cost				
Trade and other receivables	1,803	-	-	-
Other financial assets	32	-	-	-
Total financial assets	**3,395**	**1,413**	**120**	**27**
Financial liabilities at amortised cost				
Trade and other payables	(4,875)	-	-	-
Borrowings, excluding bank overdrafts and bonds	(2,582)	-	-	-
Other non-current liabilities	(769)	-	-	-
Total financial liabilities	**(8,226)**	**-**	**-**	**-**

Listed equity portfolio

	December 31, 2022							
	Number of shares held (in thousands)	Ownership interest	Average purchase price[1,2] (€/share)	Stock market price (€/share)	Carrying value (in millions of euros)	Change in value over the period (in millions of euros)	Cumulative unrealized captial gain/(loss)[3] (in millions of euros)	Sensitivity at +/- 10 pts
Spotify	6,487	3.30%	6.58	74.41	483	(856)	440	+48/-48
Tencent Music Entertainment	12,246	0.76%	na	7.80	96	22	96	+10/-10
Other					18	18	18	
Total					**597**	**(816)**	**554**	

1 Includes acquisition fees and taxes.

2 na: not applicable.

3 Includes revaluation losses, net of liabilities, of €617 million in 2022 as recognized in Note 5.

	December 31, 2021							
	Number of shares held (in thousands)	Ownership interest	Average purchase price[1,2] (€/share)	Stock market price (€/share)	Carrying value (in millions of euros)	Change in value over the period (in millions of euros)	Cumulative unrealized captial gain/(loss)[3] (in millions of euros)	Sensitivity at +/- 10 pts
Spotify	6,487	3.37%	6.58	206.38	1,339	(330)	1,296	+134/-134
Tencent Music Entertainment	12,246	0.74%	na	6.04	74	(119)	74	+7/-7
Total					1,413	(449)	1,370	

1 Includes acquisition fees and taxes.

2 na: not applicable.

3 Includes revaluation losses, net of liabilities, of €315 million in 2021 as recognized in Note 5.

Note 19. Equity

Share capital

UMG has an authorized share capital of €27,000 million divided into 2,700,000,000 ordinary shares with a nominal value of €10 per share. On December 31, 2022, the issued and fully paid share capital consisted of 1,813,512,742 ordinary shares with a nominal value of €10 per share (2021: 1,813,375,796 ordinary shares with a nominal value of €10 per share).

Additional paid-in capital

Additional paid-in capital represents the premium paid in excess of the par value of shares at the time of the issuance of new shares.

Treasury shares

As at December 31, 2022, UMG held 214,235 shares (2021: 466,783 shares) as Treasury shares for the purpose of delivering on a share-based executive incentive plan, refer to Note 23 for more details.

Retained Earnings

Dividend Distribution

On May 12, 2022 the shareholders approved a dividend distribution of €0.20 per ordinary share, corresponding to a total distribution of €363 million, payable in June 2022.

On July 27, 2022 the directors approved an interim dividend distribution of €0.24 per ordinary share, corresponding to a total distribution of €435 million payable in October 2022.

UMG plans to annually declare and pay dividends to all holders of the Shares on a pro-rata basis in two semi-annual instalments, in the aggregate amount of no less than 50% of UMG's net profits realized during the relevant financial year, subject to agreed non-cash items. UMG intends to pay an interim dividend in the fourth quarter of each financial year, after the publication of the half-year figures of the Group, and a final dividend in the second quarter of the following financial year, to be paid following approval of the UMG's financial statements at its Annual General Meeting.

A proposal will be submitted to the 2022 Annual General Meeting of Shareholders to pay a dividend of €0.27 per ordinary share corresponding to a total distribution of €491 million, in cash, from the 2022 retained earnings, payable in Q2 2023.

Note 20. Expenses and income directly recognized in equity

Details of changes in equity related to other comprehensive income

	Items not subsequently reclassified to profit & loss		Items to be subsequently reclassified to profit & loss		
(in millions of euros)	Actuarial gains/ (losses) related to employee defined benefit plans	Financial assets at fair value through other comprenhensive income	Foreign currency translation adjustments	Other comprehensive income from equity affiliates, net	**Other comprehensive income**
Balance as of December 31, 2020	**(42)**	**(15)**	**(418)**	**(8)**	**(483)**
Expenses and income directly recognized in equity	(6)	-	218	5	217
Tax effect	1	2	-	-	3
Balance as of December 31, 2021	**(47)**	**(13)**	**(200)**	**(3)**	**(263)**
Expenses and income directly recognized in equity	49	8	184	6	247
Tax effect	(13)	-	-	-	(13)
Balance as of December 31, 2022	**(11)**	**(5)**	**(16)**	**3**	**(29)**

Note 21. Provisions

		Year ended December 31,	
(in millions of euros)	Note	2022	2021
Post-retirement employee benefits	22	166	220
Royalty audit claims		126	116
Deferred employee compensation		31	27
Restructuring costs		16	12
Litigations		5	4
Other		50	56
Provisions		**394**	**435**
Deduction of current provisions		(103)	(80)
Non-current provisions		**291**	**355**

Based on the historical utilisation rate, UMG expects the royalty audit claims provision will be utilized mainly within the next 5 years.

Movements in provisions

(in millions of euros)	Restructuring	Litigation	Royalty audit claims	Other	Total
Balance as at January 1, 2022	12	4	116	56	188
Additions	26	–	39	(10)	55
Utilizations	(18)	–	(19)	(9)	(46)
Releases	(3)	–	(15)	(8)	(26)
Changes in foreign currency translation adjustments	(1)	1	5	21	26
Balance as at December 31, 2022	**16**	**5**	**126**	**50**	**197**
Current	16	–	61	6	83
Non-current	–	5	65	44	114

Note 22. Post-retirement employee benefits

In accordance with the laws and practices of each country in which it operates, UMG participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, life insurance and other post-employment benefits to eligible (former) employees and such of their beneficiaries who meet the required conditions. Post-retirement benefits are provided for substantially all employees through defined contribution plans, which are integrated with local social security, or defined benefit plans, which are generally managed via group pension plans.

The plan funding policy implemented by UMG is consistent with applicable government funding requirements and regulations. Refer to Note 4 for the contribution to defined contribution plans. Post-employment benefits covered in this note relate to defined-benefit pension and other post-retirement defined benefit plans, including medical plans and life insurance. The benefits provided by these plans are based on employees' years of service and compensation levels.

Refer to the table below for the present value of the net defined benefit obligations and plan assets per country as at 31 December.

	2022			2021		
(in millions of euros)	Obligation	Fair value of plan assets	Net obligation/ (asset)	Obligation	Fair value of plan assets	Net obligation/ (asset)
Germany	134	(2)	132	183	(1)	182
United Kingdom	1	–	1	171	(169)	2
United States	19	–	19	20	–	20
Other	40	(39)	1	53	(49)	4
Total	**194**	**(41)**	**153**	**427**	**(219)**	**208**

Germany

The post-retirement benefit plans in Germany aim to provide pension benefits to eligible (former) employees and such of their beneficiaries who meet certain conditions. The total obligation as presented above includes multiple plans, from which three are material. These plans are closed to new entrants since 2003 and earlier. In accordance with current regulations, these plans are not funded and are not covered by the plan assets. The main risks for UMG relate to changes in discount rates.

United Kingdom

In 2021, the largest post-retirement benefit plan related to pension benefits in the United Kingdom for the eligible participants. In December 2017, the fund purchased a buy-in insurance policy, covering pension benefits. This insurance policy is an asset to the plan. In late 2021, UMG paid the true-up premium to the insurance company to complete the plan buyout. Following the completion of the final administrative actions, the final settlement of the scheme has been reflected in 2022.

United States
The defined benefit liability in the United States mainly relates to the post-retirement medical care benefits. Post-retirement medical benefit plans in the United States are not covered by plan assets in accordance with local laws and practices.

Cash flow impact for 2023
In 2023 UMG expects a cash outflow of €14 million in relation to all defined benefit plans.

Net defined benefit liability
Movements of the net defined benefit obligation for the year ended on December 31, are presented in the table below.

		2022			2021		
(in millions of euros)	Note	Obligation	Fair value of plan assets	Net obligation/ (asset)	Obligation	Fair value of plan assets	Net obligation/ (asset)
Opening balance		**427**	**(219)**	**208**	**423**	**(207)**	**216**
Current service cost		3	-	3	2	-	2
(Gain)/loss on settlements		-	-	-	(1)	1	-
Other		-	-	-	1	-	1
Impact on selling & administrative		*3*	*-*	*3*	*2*	*1*	*3*
Interest cost	5	6	-	6	5	-	5
Expected return on plan assets	5	-	(3)	(3)	-	(3)	(3)
Impact on other financial income		*6*	*(3)*	*3*	*5*	*(3)*	*2*
Included in the statement of profit or loss	4	**9**	**(3)**	**6**	**7**	**(2)**	**5**
Actuarial losses/(gains) related to:							
Experience adjustments		10	51	61	4	(1)	3
Financial assumptions		(111)	-	(111)	3	-	3
Demographic assumptions		1	-	1	-	-	-
Included in other comprehensive income	20	*(100)*	*51*	*(49)*	*7*	*(1)*	*6*
Contributions by employers		-	(12)	(12)	-	(19)	(19)
Benefits paid by the fund		(121)	121	-	(2)	2	-
Benefits paid by the employer		(12)	12	-	(17)	17	-
Foreign currency and other		(9)	9	-	9	(9)	-
Closing balance		**194**	**(41)**	**153**	**427**	**(219)**	**208**
of which							
wholly or partly funded benefits		*38*			*219*		
wholly unfunded benefits[1]		*156*			*208*		
assets related to employee benefit plans				*(13)*			*(12)*
provisions for employee benefit plans				*166*			*220*

1 Included a current liability of €14 million as of December 31, 2022 and €15 million as of December 31, 2021

Assumptions used in the valuation of the net defined benefit liability

The mortality tables used for UMG's major defined benefit schemes in Germany are Richttafeln 2018 G K. Heubeck.

Other key assumptions used in the valuation of the net defined benefit plans liability are: rate of compensation increase, discount rate, and expected return on plan assets. The assumptions used to calculate the defined-benefit obligation as of December 31 were as follows:

	Germany		United Kingdom		United States		Weighted average of all plans	
	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	3.75%	0.75%	4.25%	2.00%	5.00%	3.00%	3.58%	1.30%
Rate of compensation increase (weighted average)	2.50%	1.75%	na	na	na	na	1.93%	0.90%
Duration of the benefit obligation (in years)							10.4	16.6

na: not applicable.

During 2022, worldwide interest rates increased significantly and this has been reflected in higher discount rates. As such, most defined benefit plans experienced large gains on the financial assumptions.

A 50 basis point increase (or a 50 basis point decrease, respectively) to the 2022 discount rate would have led to a decrease of €0.7 million in pre-tax expense (or an increase of €0.8 million, respectively) and would have led to a decrease in the defined benefit obligation of €9.3 million (or an increase of €10.1 million, respectively), assuming all other assumptions remain unchanged.

Pension plan assets allocation

	Year ended December 31,	
(in millions of euros)	2022	2021
Insurance contracts	55%	89%
Equity securities	20%	4%
Debt securities	14%	3%
Diversified funds	0%	1%
Cash and other	11%	3%
Total	100%	100%

Note 23. Share-based compensation plans

In May 2022, UMG received formal approval from its shareholders to implement an equity plan, the UMG Global Equity Plan. Under the plan, Restricted Stock Units (RSUs) and Performance Stock Units (PSUs) are granted to senior executives to align the interests of the employees of UMG with its shareholders' interests by providing them with an additional incentive to improve UMG's performance and increase its share price on a long-term basis. In addition, the Annual Incentive Plan (AIP) for these senior executives was modified such that all or a portion of the payment under the plan may be settled in equity at the discretion of UMG.

UMG Restricted Stock Units (RSUs)

Starting in the last quarter of 2022, and continuing for each year of service under the term of their contracts, senior executives are granted RSUs being a right to receive shares upon vesting. The awards have vesting periods of 2.5 to 8 years and will vest in 3 equal instalments, if the service condition is fulfilled. The total number of RSUs granted was 7.29 million and the grant date weighted-average UMG N.V. share market price was €19.44.

In addition, a one-off RSU award was granted to senior executives with on average 18 months vesting period in 2 equal instalments. The total number of these RSUs granted was 9.43 million and the grant date weighted-average UMG N.V. share market price was €19.84.

There was a small number of RSUs granted with slightly different service conditions. The grant date weighted-average UMG's share market price was €19.33 per share corresponding to the total fair value of €6 million of such awards.

The share rights are dividend-bearing during the service period. The total expense for these awards recognised in 2022 was €74 million and the total equity reserve at year end was €78 million.

UMG Performance Stock Units (PSUs)

Starting in the last quarter of 2022, and continuing for each year of service under the term of their contracts, senior executives are granted PSUs being a right to receive shares upon vesting. The vesting of these rights is subject to the performance of UMG or operating units within UMG against specific internal and market performance conditions over a three-calendar year period and continued service over three years by the employee. The share rights are dividend-bearing during the performance period.

The total number of shares delivered with respect to these PSU's can range from 0% to 200% of the number of PSUs granted based on the performance during the performance period. Performance conditions are tailored to each participant. The performance conditions include target compound annual growth rate for revenues (Revenue CAGR), adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA CAGR) and relative total shareholder return (TSR).

The total number of PSUs granted was 1.72 million and the grant date weighted-average UMG N.V. fair value per share was €21.37 and incorporates a market performance condition.

In addition, a small number of PSU awards with slightly different service and performance conditions were granted during 2022. The estimated grant date UMG's share market price is €22.51 per share corresponding to the total fair value of €24 million of such awards.

The total expense and equity reserve for the above awards recognised in and as at year end 2022 was €5 million.

Annual Incentive Program (AIP)

In the last quarter of 2022, the AIP for senior executives, which was previously settled only in cash and accrued throughout the year, was modified to allow UMG the choice of whether to settle in cash or shares of UMG N.V. or a combination of cash and shares. Such modification did not change the fair value of the award compared to the previously accrued AIP payable. UMG expects to settle 50% of the 2022 AIP in cash and 50% in shares. UMG has a constructive obligation to settle 50% of the award in cash. The total AIP expense for the full calendar year starting January 1, 2022, being the start of the service period for the award, was €42 million with the cash-settled AIP accrual amounting to 50% of the total expense.

The vesting conditions of the AIP awards are a one-year service period and certain internally measured performance conditions including Adjusted EBITDA and cash flow from operations (CFFO). The amount received can vary between 0% and 200% of the on-target amount based on the actual performance against these performance criteria.

The estimated grant date value is based on UMG's share market price at €22.51 per share corresponding to the total fair value of €21 million for the equity-settled portion of the total AIP.

Estimated future tax obligation

An estimate of the amount that UMG expects to transfer to the tax authority to settle the employees' tax obligation in relation to all RSU, PSU and AIP was €51 million.

All Employee Award

In October 2022, each eligible employee of UMG was granted 100 shares to be vested at the end of the one year service period. The grant date share price was €18.85 per share. A total of 0.88 million shares was granted. A total expense and equity reserve of €4 million was recognised in and as at year end 2022.

UMG shares granted upon separation from Vivendi and direct listing on the Euronext Amsterdam

In 2021, upon listing of UMG on the Euronext Amsterdam, a number of UMG executives were granted 3,181,754 UMG shares in total pursuant to the award by Vivendi with vesting conditions related, amongst other things, to the UMG's admission to the Euronext Amsterdam. The grant date fair value of these shares was estimated at €16.54 per share, primarily based on the enterprise value of €30,000 million determined in connection with the sale of an additional 10% of the share capital of Universal Music Group (UMG) to a Tencent-led consortium in December 2020. These awards fully vested at the listing date and were settled in UMG's shares held by Vivendi post-separation. UMG recognised an expense of €45 million in profit and loss for the year ended December 31, 2021. The awards were fully vested in 2021 and hence there was no further cost of this award in 2022.

A total of 762,095 UMG shares, constituting a recognition award, were granted and vested to the Executive Vice President, Chief Financial Officer and President of Operations, Boyd Muir immediately after the UMG's listing date. These shares will settle over three years, from which one third was settled in 2021, a further third was settled in 2022 on the first anniversary of UMG listing and the final third is expected to settle on the second anniversary of the UMG listing. The grant date fair value of these shares was estimated at UMG' share market price as of that date and was €25.25 per share. UMG recognised an expense of €19 million in profit and loss for the year ended December 31, 2021. The awards were fully vested in 2021 and hence there was no further cost of this award in 2022. There is a total equity reserve of €11 million as at year end 2022 (2021: €15 million).

Vivendi Share Awards

Prior to the separation, Vivendi annually granted performance awards to certain UMG executives. These awards are settled with Vivendi's own shares or cash. Subject to certain performance conditions, these performance awards vest at the end of a three-year service period and are settled after an additional two-year retention period. Vivendi continued to maintain performance share plans for UMG participants in 2021 and 2022. The total expense recognised by UMG in 2022 in relation to these plans was €1 million (2021: €1 million).

UMG-Vivendi Performance Awards

In 2021, to compensate for any effect of the distribution on the Vivendi share price, UMG announced that it will issue its own shares for every Vivendi share earned by the UMG participants of the Vivendi's performance share plans, which were granted in 2017 – 2020, while UMG was part of Vivendi. The amount of Vivendi shares (and accordingly UMG shares in 1-to-1 ratio) estimated to be vested for the 2020 ongoing plan will be further adjusted at the end of the original performance period of Vivendi's performance share plans. In relation to this award a total expense of €2 million was recognised in 2022 (2021: €14 million) and total equity reserve of €15 million (2021: €14 million) as at year end 2022.

Note 24. Related parties

UMG's related parties include the Corporate Executives and non-executive board members

Corporate Executive compensation

As of December 31, 2022 and 2021, UMG's Corporate Executives are comprised of 9 (2021: 9) members, of which 2 (2021: 2) were Executive Directors on the UMG N.V. board. The Corporate executives are as defined in the Appendix of the Annual Report. The Executive directors are also members of the UMG N.V. board. Their aggregate compensation is presented in the table below.

	Year ended December 31, 2022		
(in millions of euros)	Other Corporate Executives	Executive Directors	Corporate Executives
Short-term employee benefits	18	50	68
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	33	-	33
Corporate Executives	51	50	101

	Year ended December 31, 2021		
(in millions of euros)	Other Corporate Executives	Executive Directors	Corporate Executives
Short-term employee benefits	30	43	73
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	45	2	47
Corporate Executives	75	45	120

Refer to the Remuneration Report section in the Annual Report for more detail.

Non-executive board compensation

As of December 31, 2022 UMG's non-executive board received director fees of €1 million (2021: €0.2 million).

Other related-party transactions

Other related parties include:

- companies fully consolidated by UMG. The transactions between these companies have been eliminated for the preparation of UMG's Annual Financial Statements;
- companies over which UMG exercises a significant influence or has joint control;
- all companies that are controlled or jointly controlled by Corporate Executives or their close relatives;
- minority shareholders exercising a significant influence over UMG's subsidiaries; and
- all companies that have a significant influence over UMG.

As of December 31, 2022, transactions with Vivendi are still qualified as transactions with related parties under IAS 24. Commercial relationships among UMG and Vivendi subsidiaries prior and upon the separation, are conducted on an arm's length basis on terms and conditions similar to those which would be offered by third parties. During 2021, a portion of the management fees, share-based compensation plans and other costs of Vivendi SE's headquarters is allocated to UMG.

UMG distributes its cash surpluses to shareowners through dividends and share capital reductions (please refer to Note 19 *Equity*). Vivendi and UMG entered into a transition and services agreement in connection with the separation, the terms of which Vivendi and its subsidiaries will provide to UMG, and UMG will provide to Vivendi and its subsidiaries, on an interim, transitional basis various services as applicable, including but not limited to: (i) a limited selection of treasury related services and applications; (ii) a limited selection of accounting services and accounting software related services and applications; (iii) taxation related services; and (iv) certain employee related principles in connection with the direct listing on the Euronext Amsterdam.

The balances and transactions with the parties described above are summarised in the table below:

	December 31, 2022			
(in millions of euros)	Associates	Shareholders	Other	Total
Statement of Financial Position				
Assets				
Cash and cash equivalents	–	–	–	**–**
Trade accounts receivable	49	6	–	**55**
Loans receivable	17	–	–	**17**
Royalty advances	–	–	25	**25**
Liabilities				**–**
Long-term borrowings and other financial liabilities	–	–	–	**–**
Trade accounts payable	–	1	–	**1**
Statement of Profit or Loss				
Revenue	275	13	–	**288**
Cost of revenues	–	(4)	–	**(4)**
Selling, general and administrative expenses	(2)	(3)		**(5)**
Financial income	–	–	–	**–**
Financial expenses	–	–	–	**–**
Services billed by Shareholders included in profit and loss				
Management fees	–	–	–	**–**
Share-based compensation plans	–	(1)	–	**(1)**

	December 31, 2021			
(in millions of euros)	Associates	Shareholders	Other	Total
Statement of Financial Position				
Assets				
Cash and cash equivalents	–	–	–	–
Trade accounts receivable	31	4	–	35
Loans receivable	–	–	–	–
Royalty advances	–	–	21	21
Liabilities				
Long-term borrowings and other financial liabilities	–	–	–	–
Trade accounts payable	–	(2)	(12)	(14)
Statement of Profit or Loss				
Revenue	252	10	–	262
Cost of revenues	–	(12)	(9)	(21)
Selling, general and administrative expenses	(4)	(10)	–	(14)
Financial income	–	2	–	2
Financial expenses	–	(10)	–	(10)
Services billed by Shareholders included in profit and loss				
Management fees	–	–	–	–
Share-based compensation plans	–	(1)	–	(1)

Note 25. Litigation

In the normal course of its business, Universal Music Group is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as “Legal Proceedings”). However, based on the information currently available, UMG believes that the outcome from these Legal Proceedings will not have a material impact on UMG's consolidated results of operations and financial position.

Note 26. List of consolidated entities

The Consolidated financial statements comprise the assets and liabilities of approximately 365 legal entities. Set out below is a list of material subsidiaries, representing more than 75% of UMG's consolidated sales.

All the entities are 100% owned.

Legal entity name	Principal country of business
Universal Music Group N.V.	Netherlands
Universal Music Group, Inc.	United States
Universal Music Group Holdings, Inc.	United States
UMG Recordings, Inc.	United States
Universal International Music B.V.	Netherlands
Universal Music Entertainment GmbH	Germany
Universal Music LLC	Japan
Universal Music Holdings Ltd.	United Kingdom
Universal Music Group Treasury S.A.S.	France

UMG does not have subsidiaries that have non-controlling interests that are material for its Consolidated financial statements.

Note 27. Statutory auditors fees

Fees for audit services include the audit of the financial statements of the UMG and its subsidiaries. Fees for other audit services include review of interim financial statements, sustainability, and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services. Fees for tax and other non-audit services are related to the network outside the Netherlands and are in accordance with local independence regulation.

	Year ended December 31,			
(in millions of euros)	2022		2021	
	Deloitte Accountants B.V.	Ernst & Young Accountants LLP	Deloitte Accountants B.V.	Ernst & Young Accountants LLP
Audit of UMG and its subsidiaries	4	6	4	4
Other statutory services	–	–	–	–
Tax services	–	–	–	–
Other non-audit services	–	–	–	–
Total[1]	**4**	**6**	**4**	**4**

1 Total fees charged by the Dutch organization of Deloitte and Ernst & Young were €2 million (2021: €1 million) and €2 million (2021: €2 million) respectively.

Note 28. Audit exemptions

UMG has provided guarantees to the following subsidiaries, incorporated in the Netherlands, under the registered number indicated, under section 403 of Book 2 of the Dutch Civil Code. As these companies' financial data is consolidated within these financial statements, the Dutch entities are allowed to prepare abridged financial statements which are exempt from publication and audit.

Name	Company Number
Universal International Music B.V.	31018439
Universal Music Publishing International B.V.	31037866
Universal Music Publishing B.V.	32101966
CMHL B.V.	32140273
Universal Production Music B.V.	85798479

Note 29. Subsequent events

In January 2023, UMG entered into an agreement with the owners of the Capitol Records building (the Property). As part of the agreement UMG contributed €37 million as a capital contribution and lent €60 million to the venture while the Property owners contributed the Property into the venture.

In February 2023, the Revolving Credit Facility agreement was amended with a new maturity date being April 26, 2028.

Around the date when these financial statements were authorised for issue, UMG was in the process of signing a new short-term floating rate €500 million revolving credit facility.

Company Statements

Contents of Company Statements

Company Statement of Profit or Loss and Other Comprehensive Income

		Year ended December 31,	
(in millions of euros)	Note	2022	2021
Dividend income	3	–	785
General and administrative expenses	4	(4)	(23)
Operating profit		**(4)**	**762**
Financial income	5	36	13
Financial expenses	5	(45)	(10)
Profit/(loss) before income taxes		**(13)**	**765**
Income taxes		(3)	–
Net profit/(loss) after income taxes		**(16)**	**765**
Net profit/(loss) attributable to equity holders of the Company		(16)	765
Total comprehensive income attributable to equity holders of the Company		(16)	765

Company Statement of Financial Position

(in millions of euros)	Note	2022	2021
		Year ended December 31,	
Property, plant and equipment		–	1
Right of use assets		1	1
Investments in subsidiaries	6	33,000	33,000
Non-current financial assets	7	1,976	2,178
Non-current assets		**34,977**	**35,180**
Current financial assets	7	333	262
Cash and cash equivalents	8	10	53
Current assets		**343**	**315**
TOTAL ASSETS		**35,320**	**35,495**
Share capital		18,135	18,134
Additional paid-in capital		14,935	14,941
Treasury shares		(5)	(12)
Retained earnings		(721)	(8)
Total equity	10	**32,344**	**33,055**
Long-term borrowings	8	1,112	1,848
Long-term lease liabilities		1	1
Non-current liabilities		**1,113**	**1,849**
Short-term borrowings	8	1,856	584
Trade and other payables		7	7
Current liabilities		**1,863**	**591**
Total liabilities		**2,976**	**2,440**
TOTAL EQUITY AND LIABILITIES		**35,320**	**35,495**

Company Statement of Cash Flows

(in millions of euros)	Note	Year ended December 31, 2022	2021
Operating activities			
Operating profit		(4)	762
Changes in net working capital		–	7
Adjustments for accrued interest		(3)	3
Net cash provided by/(used for) operating activities before income tax paid		*(7)*	*772*
Income tax paid		(3)	–
Net cash provided by/(used for) operating activities		**(10)**	**772**
Investing activities			
Capital expenditures		–	(1)
Increase in financial assets	7	(5)	(2,368)
Proceeds from financial assets	7	200	–
Interest received		34	7
Net cash provided by/(used for) investing activities		**229**	**(2,362)**
Financing activities			
Distributions to equity holders	10	(798)	(785)
Transactions with shareowners		**(798)**	**(785)**
Proceeds from borrowings	8	5,573	2,842
Repayments of borrowings	8	(5,018)	(410)
Interest paid	8	(19)	(4)
Net cash provided by/(used for) financing activities		**(262)**	**1,643**
Change in cash and cash equivalents		**(43)**	**53**
Cash and cash equivalents			
At beginning of the period	8	**53**	**–**
At end of the period	8	**10**	**53**

Company Statement of Changes in Equity

Year ended December 31, 2022

(in millions of euros)	Note	Number of shares (in thousands)	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total equity
BALANCE AS OF DECEMBER 31, 2021		1,813,376	18,134	14,941	(12)	(8)	33,055
Net loss		-	-	-	-	(16)	(16)
TOTAL COMPREHENSIVE INCOME		-	-	-	-	(16)	(16)
Dividends paid	10	-	-	-	-	(798)	(798)
Share-based compensation plans	10	137	1	(6)	7	101	103
TOTAL CHANGES OVER THE PERIOD		137	1	(6)	7	(713)	(711)
BALANCE AS OF DECEMBER 31, 2022		1,813,513	18,135	14,935	(5)	(721)	32,344

Year ended December 31, 2021

(in millions of euros)	Note	Number of shares (in thousands)	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total equity
BALANCE AS OF DECEMBER 31, 2020		100	-	-	-	-	-
Net profit		-	-	-	-	765	765
TOTAL COMPREHENSIVE INCOME		-	-	-	-	765	765
Share cancellation		(100)	-	-	-	-	-
Dividends paid	10	-	-	-	-	(785)	(785)
Contributions by shareowners of their UIM B.V. and UMG Inc. shares to UMG B.V.		1,847,874	18,479	14,521	-	-	33,000
Reduction in number of shares and effective capital contribution		(34,633)	(346)	346	-	-	-
Share-based compensation plans	10	135	1	29	(12)	12	30
Share-based compensation plans settled by Vivendi		-	-	45	-	-	45
TOTAL CHANGES OVER THE PERIOD		1,813,276	18,134	14,941	(12)	(8)	33,055
BALANCE AS OF DECEMBER 31, 2021		1,813,376	18,134	14,941	(12)	(8)	33,055

Notes to the Company Financial Statements

Note 1. General information

Universal Music Group N.V. ("the Company") is a public company with limited liability incorporated under the laws of the Netherlands and listed on Euronext Amsterdam under the ticker symbol 'UMG AS'.

The Company was formed to ultimately act as a holding company for Universal Music Group ("UMG").

The Company's official seat (statutaire zetel) is in Amsterdam, The Netherlands, and the Company's principal office is located at 's-Gravelandseweg 80, 1217 EW Hilversum The Netherlands. The Company is registered with the Dutch Chamber of commerce under number 81106661.

Incorporation

The Company was incorporated on December 4, 2020. On February 26, 2021, the Company obtained all of the shares of Universal International Music B.V. and Universal Music Group, Inc. from Vivendi and the consortium led by Tencent by issuing new shares, to its shareholders. Refer to the Statement of Changes in Equity.

This internal reorganization of the shareholding structure of UMG was scheduled as part of the agreement signed in December 2019 by Vivendi and the Tencent-led consortium, a prerequisite for the company's planned listing on the stock market.

The prospectus relating to the admission to listing and trading of the shares of the Company on Euronext Amsterdam was approved by the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) on September 14, 2021 and is available on the Company's websites.

On September 21, 2021, the shares of the Company started trading on the regulated market of Euronext Amsterdam.

Note 2. Basis of preparation

2.1 Statement of compliance

For the year ended December 31, 2022, the Company have prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), IFRS as endorsed by the European Union (EU) and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Company financial statements are prepared by the Board of Management of the Company and authorized for issue on March 30, 2023 and will be submitted for adoption to the Annual General Meeting of Shareholders on May 11, 2023.

2.2 Basis of measurement

The Company financial statements were prepared using the same accounting policies as set out in the notes to the consolidated financial statements at December 31, 2022 (the "Consolidated financial statements"), except for the measurement of the investments as presented under Note 2.6 in the Company financial statements. The accounting policies were consistently applied to all periods presented.

2.3 Foreign currency translation

The Company financial statements are presented in millions of euros, unless stated otherwise. The functional currency of the Company is euro.

Foreign currency

Foreign currency transactions are initially recorded in the euros at the exchange rate prevailing at the date of the transaction. At the closing date, foreign currency monetary assets and liabilities are translated into the entity's functional currency at the exchange rate prevailing on that date with foreign currency differences recorded to profit and loss.

2.4 Recent accounting developments

The 2022 accounting policy changes originated from the IFRS amendments, which became effective as at 1 January 2022, however, the impact from their adoption on the Company financial statements of UMG N.V. was not material. For the full list of such IFRS amendments refer to the Consolidated financial statements.

The Company applied IFRS Practice Statement 2 - Disclosure of Accounting Policies in its financial statements. UMG N.V. used the guidance of the Practice Statement 2 to optimise its material accounting policy information disclosure to include only material accounting policy information.

New IFRS standards and IFRIC interpretations in issue but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements which are effective for the periods starting January 1, 2023 are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

• IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts

• Amendments to IAS 8 Definition of Accounting Estimates

• Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company does not expect that the adoption of all other the standards and amendments listed above will have a material impact on the financial statements of the Group in future periods.

2.5 Significant judgements and estimates

The preparation of Company financial statements in compliance with IFRS requires management to make certain judgements and estimates that they consider reasonable and realistic. Although these judgements and estimates are regularly reviewed by management, based, in particular, on past or anticipated achievements, facts and circumstances may lead to changes in these judgements and estimates which could have an impact on the reported amount of group assets, liabilities, equity or profit.

The main significant judgements relate to the measurement of:

- Investment in subsidiaries: valuation method used to identify the recoverable amount of the asset, refer to Note 2.7;

The main significant estimates relate to the measurement of:

- Investments in subsidiaries: assumptions on the recoverable amount of the asset, refer to Note 2.7;
- Expected credit losses on loans receivable and financial guarantees: estimation of loss allowance requires assessment of the probability of default on the part of the borrower on a prospective basis. Reasonable forward-looking information and events, including credit ratings if available, significant adverse economic changes (actual or expected), financial or business environment that are expected to result in a material change in the borrower's ability to meet its obligations is used to assess whether there is significant increase in credit risk, refer to Note 2.9 and 2.11. For more on financial guarantees, refer to note 2.14.

2.6 Investments in subsidiaries and dividend income

Investments in subsidiaries are stated at cost, less impairment.

Dividend income from the Company's subsidiaries is recognized in the statement of profit or loss when the right to receive payment is established.

2.7 Impairment of investments in subsidiaries

At each reporting date, the Company assesses whether there is an indication that investments in subsidiaries may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is defined as the higher of the fair value of the investment less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of investments in subsidiaries are determined based on discounted cash flow models and key assumptions are disclosed in Note 8 of the Consolidated financial statements. Any resulting impairment is recognized in the income statement. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, up to a maximum of the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior periods. Such a reversal is recognized in the income statement.

2.8 General and administrative expenses

General and administrative expenses primarily include salaries and employee benefits, consulting and service fees, overhead recharges, insurance costs, travel and entertainment expenses, administrative department costs, provisions for receivables and other operating expenses and are expensed when incurred.

2.9 Loans receivable

Loans receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less any value allowances.

The Company assesses the expected credit loss associated with the loans receivable on a prospective basis. A loss allowance for expected credit loss based on probability of default is recognized at initial recognition. The loss allowance is updated for changes in these expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. To assess whether there has been a significant increase in credit risk, the Company compares the credit risk at the reporting date with the credit risk at the date of initial recognition based on reasonable forward-looking information and events, including credit ratings if available, significant adverse economic changes (actual or expected), financial or business environment that are expected to result in a material change in the borrower's ability to meet its obligations.

2.10 Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

There are no liens, pledges, collateral or restrictions on cash and cash equivalents. Cash and cash equivalents do not include amounts in UMG cash management pools.

2.11 Financial liabilities

A liability is recognized when the Company becomes party to a contract. Financial liabilities of the Company are all classified as subsequently measured at amortized cost and measured using the effective interest rate method.

Transaction costs relating to financial liabilities

Non-recurring costs incurred at inception of financial liabilities are loan origination fees by substance and are directly attributable to the issue of the financial liability and would not be otherwise incurred. These costs also form integral part of the effective interest.

These costs are to be capitalised and recognised going forward as an adjustment to the effective interest rate for the bonds.

2.12 Related parties
A related party is a person or an entity that is related to UMG. These include both people and entities that have, or are subject to, the influence or control of UMG (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

2.13 Contingent assets and liabilities
Contingent liabilities are possible or present obligations of sufficient uncertainty that do not qualify for recognition as a provision, unless it is assumed in a business combination. Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

2.14 Financial guarantees
Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Issued financial guarantees are initially recognised at fair value and are subject to the expected credit loss model, and a credit loss is recognized for expected cash shortfalls.

Non-financial guarantees are accounted for as a contingent liability until such time it becomes probable that UMG will be required to make a payment under the guarantee.

2.15 Property, plant and equipment
Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost, costs directly attributable to transporting an asset to its physical location and preparing it for its operational use, the estimated costs relating to the demolition and the collection of property, plant and equipment, and the rehabilitation of the physical location resulting from the incurred obligation.

When property, plant and equipment include significant components with different useful lives, they are recorded and depreciated separately. Depreciation is calculated using the straight-line method based on the estimated useful life of the assets. Useful lives of the main components are reviewed at the end of each reporting period and are as follows:
- buildings: 5 to 40 years;
- equipment and machinery: 3 to 8 years; and
- other: 2 to 10 years.

After initial recognition, the cost model is applied to property, plant and equipment.

2.16 Leases
The lease contracts for the Company correspond to real estate leases for which the Company is the lessee. Real estate leases for which the Company is the lessee are recorded at the commencement date and result in the recognition of a lease liability equal to the present value of future lease payments against a right-of-use asset relating to leases.

Right-of-use assets
Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Amounts received for leasehold improvements are depreciated over a period not longer than the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
The Company recognizes lease liabilities initially measured at the present value of future lease payments over the lease term. The lease payments include in-substance fixed payments (less any lease incentives), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating a lease, if the Company has the option to terminate and it is reasonably certain that this option will be exercised. In calculating the present value of lease payments, the Company

uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

Significant judgements in accounting for leases

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term, the Company considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Note 3. Dividend income

Dividend income for the year ended December 31, 2022 amounted to €0 (2021: €785 million and related to dividends from Universal International Music B.V.).

Note 4. General and administrative expenses

General and administrative costs consisted of the following:

	Year ended December 31,	
(in millions of euros)	2022	2021
Salaries	9	6
Pension	–	–
Social security and other employment expenses	1	–
Wages and expenses	**10**	**6**
Legal and professional fees[1]	7	5
Audit fees	4	3
Other[2]	(17)	9
Total	**4**	**23**
Annual average number of full-time equivalent employees, of which none worked from outside of the Netherlands.	*35*	*27*

1 Legal and professional fees mainly relate to listing fees and expenses for legal, financial and consulting services.

2 Other consists of employee and service costs charged to and from subsidiaries.

Note 5. Financial income and expenses

Financial income and expenses consisted of the following:

	Year ended December 31,	
(in millions of euros)	2022	2021
Interest income from intercompany loans	36	13
Financial income	**36**	**13**
Interest expense on borrowings	(36)	(6)
Cost of finance	(9)	(4)
Financial expenses	**(45)**	**(10)**

Note 6. Investments in subsidiaries

Investments in subsidiaries consist of the following investments:

		Net carrying value	
		Year ended December 31,	
(in millions of euros)	Voting % interest	2022	2021
Universal International Music B.V.; Hilversum; The Netherlands	100	18,150	18,150
Universal Music Group, Inc.; Santa Monica; USA	100	14,850	14,850
		33,000	33,000

Net result and equity as per most recent adopted financial statements:

	Net Result		Shareholders' Equity	
	Year ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Universal International Music B.V.[1]	(68)	727	6,498	7,202
Universal Music Group, Inc.[2]	931	560	3,358	1,960

1 In millions of euros

2 In millions of US dollars

For a list of indirect subsidiaries and other group entities, refer to note 26 of the Consolidated Financial Statements.

Note 7. Current and non-current financial assets

At December 31, 2022, current and non-current financial assets consist primarily of loans receivable of €2,174 million (2021: €2,372 million) from Universal International Music B.V. ("UIM"). These loans were issued primarily for the purpose of refinancing of debt granted by Vivendi SE to UIM. Loans receivable are denominated in Euro.

The principal amount of the first loan is €800 million (2021: €1,000 million) and it is repayable in 5 yearly instalments (€200 million) on 1 October of each year. The first instalment was paid on 1 October 2022. The loan bears interest at a rate of EURIBOR 3 months plus margin. Margin for 2022 was set at 1.03% (2021: 1.03%).

The second loan, being in principle a credit facility, consists of a commitment of €2,000 million, of which a total amount of €1,368 million have been drawn at December 31, 2022 (2021: €1,368 million) and bears interest at a rate of EURIBOR 1 month plus margin. Margin for 2022 was set at 1.13% (2021: 1.13%). UIM may utilize the facility, to be made available within 1 business day upon written request. The loan is fully repayable on 6 July 2026.

The current part of the loans receivable consists of the €200 million receivable under the term loan on 1 October 2023 from UIM; accrued interest on the term loan of €5 million and accrued interest on the credit facility of €1 million. Other non-current financial assets consist of capitalized bank fees of €8 million paid to banks as part of obtaining the credit facility as disclosed in Note 8, less amortization over the term of the facility.

Other current financial assets consisted of the following:

	Year ended December 31,	
(in millions of euros)	2022	2021
Current intercompany receivables	18	14
Other intercompany receivables related to share-based compensation	108	45
	126	**59**

Current intercompany receivables primarily consist of a short-term receivable from Universal Music Group, Inc for expenses paid on behalf of Universal Music Group, Inc.

Refer to Note 23 of the Consolidated Financial Statements for more details on share-based compensation.

The Company is exposed to credit risk embedded in these loans receivable and being the credit risk of UIM. The Company assessed potential credit losses on the loans receivable based on the expected credit loss model ("ECL"), which is designed to be forward-looking. The ECL estimates were unbiased and included reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. UMG Treasury reporting and forecasting proves sufficient cash generated from the operation of the subsidiary to fulfill these borrowings. The effect of the recognized expected credit losses is negligible. The loans are performing in accordance with the agreements.

Note 8. Cash position and borrowings

Cash position

Cash and cash equivalents amounted to €10 million at December 31, 2022 (2021: €53 million) and were denominated in Euro.

Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks.

Borrowings

(in millions of euros)	December 31, 2022 Total	December 31, 2022 Long-term	December 31, 2022 Short-term	December 31, 2021 Total	December 31, 2021 Long-term	December 31, 2021 Short-term
Bonds	1,004	987	17	-	-	-
Term facility	-	-	-	998	798	200
Drawn revolving credit facility	125	125	-	1,050	1,050	-
Commercial papers	929	-	929	-	-	-
Intercompany payable	910	-	910	384	-	384
	2,968	1,112	1,856	2,432	1,848	584

New borrowings
On June 30, 2022, the Company issued €500 million of senior unsecured notes due on June 30, 2027 with a coupon of 3.00% and €500 million of senior unsecured notes due on June 30, 2032 with a coupon of 3.75%. On July 1, 2022, the net proceeds from the issuance of the unsecured senior notes of €1 billion were used to fully repay the Term loan.

On July 8, 2022, the Company established a EUR commercial paper program. Under the Program, the Company may issue, from time to time, commercial paper notes up to a maximum aggregate amount of €1 billion. The proceeds from the issuance will be used firstly to pay down the Company's revolving credit facility and manage short-term liquidity needs from UMG.

In 2021, the Company entered into a syndicated euro-nominated term loan of EUR 1,000 million maturing yearly for 20% of the amount, as well as the multi-currency revolving credit facility (RCF) for approximately EUR 2,000 million, both with two one-year extension options.

The committed multi-currency RCF bears interest at a variable rate based on the relevant EURIBOR and LIBOR respectively with zero-floor plus a margin and EUR commercial paper program bears variable interest rates of EURIBOR plus margin. The margin was 0.36% as of December 31, 2022 (2021: 0.6%) and is subject to adjustment based on the level of Net Debt to EBITDA ratio as at every financial year-end.

The intercompany payable consist of a short-term payable to Universal Music Group Treasury S.A.S. under a Cash Management Agreement.

Financial covenants
On 31 May 2022, UMG NV announced Baa1/BBB Long Term Credit Ratings from Moody’s and S&P. These investment grade ratings are the financial covenants UMG committed to sustaining. If UMG does not have these ratings by Moody’s and S&P or a comparable rating from an internationally recognized credit rating agency, its financial net debt to EBITDA ratio shall be equal to or below 4.0x. No other financial covenants are imposed on the Company by any of the borrowings.

Movements of borrowings

The movements in borrowings were as follows:

(in millions of euros)	Term facility	Drawn revolving credit facility	Bonds	Commercial papers	Inter-company payable	Total
Balance December 31, 2020	-	-	-	-	-	-
New borrowings	998	1,460	-	-	384	2,842
Repayments	-	(410)	-	-	-	(410)
Balance December 31, 2021	**998**	**1,050**	**-**	**-**	**384**	**2,432**
New borrowings	8	918	1,004	3,117	526	5,573
Repayments	(1,006)	(1,843)	-	(2,188)	-	(5,037)
Balance December 31, 2022	**-**	**125**	**1,004**	**929**	**910**	**2,968**

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument fluctuating because of changes in the market interest rates. Financial instruments included in the borrowings create an inherent interest rate risk.

UMG seeks to limit the period over which interest rates on debt are exposed. The preferred method of hedging interest rate risk is issuing long term fixed-rate bonds. The use of interest-rate plain vanilla derivatives is also authorized. The list of authorized instruments includes Interest rate swaps, FRAs, caps, and floors.

As of December 31, 2022, UMG had a ratio of fixed-rate debt to total outstanding net debt of approximately 49%, including lease liabilities. A sensitivity analysis conducted in January 2023 on the gross debt portfolio shows that if short term EURIBOR were to increase instantaneously by 0.5% from their level of December 31, 2022, with all other variables held constant, the annualized interest expense would be €5 million.

Note 9. Contractual obligations and other commitments

The table below analyzes the Company's material financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Interest on Long-term debt is based on floating rate adjustments according to market expectations.

Contractual obligations

	Minimum future payments as of December 31, 2022				Total minimum future payments as of
		Payments due in			
(in millions of euros)	Total	1 year	2-5 years	After 5 years	December 31, 2021
Drawn revolving credit facility	128	125	3	-	1,055
Term loan	-	-	-	-	1,030
Bonds	1,263	34	635	594	-
Commercial papers	934	934	-	-	-
Lease liabilities	-	-	-	-	1
	2,325	**1,093**	**638**	**594**	**2,086**

Liquidity risk

The Company is exposed to the liquidity risk. Liquidity risk management ensures the ability to meet financial obligations as they fall due.

The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable the Company to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The loans receivable bear interest at an interest rate higher than the interest rate on the borrowings from the banks. The Company believes that the cash flow generated by the operations of its investments, its cash surpluses, net of amounts used to reduce UMG's debt, as well as funds available through undrawn committed bank credit facilities will be sufficient to cover cash outflows necessary for its operations as well as its debt service for the foreseeable future.

Over the course of the year, fluctuations occur in the working capital needed to finance operations. The Company strives to have a good liquidity position at all times and optimize daily cash management. Moreover, the Company strictly controls working capital by optimizing billing and collection.

Financial guarantees

At December 31, 2022, the Company provided guarantees over certain debt of the following subsidiaries: Universal Music Group Treasury S.A.S. €142 million; Universal Music Ltda. (Brazil) €83 million; Universal Music AB (Sweden) €7 million. No material allowances for credit losses were recognized in the Statement of Financial Position for both years presented, as the expected credit loss estimation was insignificant and the loans are fully performing in accordance with the agreements. Financial guarantees were measured at fair value on initial recognition.

For intercompany financial guarantees issued by the Company no material expected credit loss was estimated and therefore the financial guarantees are not recognised. In addition, the Company provided guarantees to several subsidiaries in the UK and The Netherlands.

The Company has provided guarantees to the following Universal Music Group subsidiaries, incorporated in the Netherlands, under the registered number indicated, under section 403 of Book 2 of the Dutch Civil Code.

Name	Company Number
Universal International Music B.V.	31018439
Universal Music Publishing International B.V.	31037866
Universal Music Publishing B.V.	32101966
CMHL B.V.	32140273
Universal Production Music B.V.	85798479

Note 10. Equity

Share capital

The Company has an authorized share capital of €27,000,000,000, divided into 2,700,000,000 ordinary shares with a nominal value of €10 per share. On December 31, 2022, the issued and fully paid share capital consisted of 1,813,512,742 ordinary shares with a nominal value of €10 per share (2021: 1,813,375,796 ordinary shares with a nominal value of €10 per share).

The following table summarizes the changes in the number of issued and fully paid up shares of the Company for the year ended December 31, 2022:

	Ordinary Shares
Issued and fully paid up shares as at December 31, 2021	**1,813,375,796**
Shares issued[1]	136,946
Issued and fully paid up shares as at December 31. 2022	**1,813,512,742**

1 In 2022, the Company issued 136,946 shares for the purpose of delivering on the share-based executive incentive plan, refer to Note 23 of the Consolidated Financial Statements for more details.

Additional paid-in capital

Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares. Since the value of the contribution exceeded the par value of the shares, the balance constituted share premium.

Treasury shares

As at December 31, 2022 the Company held 214,235 shares (2021: 466,783) as Treasury shares for the purpose of delivering on the share-based executive incentive plan, refer to Note 23 of the Consolidated Financial Statements for more details.

Dividend distribution

A proposal will be submitted to the 2023 Annual General Meeting of Shareholders to pay a dividend of €0.27 per ordinary share corresponding to a total distribution of €491 million, in cash, from the 2022 retained earnings reserve (or if dividend exceeds is from the free distributable reserves) of the Company, payable in Q2 2023.

On May 12, 2022 the shareholders approved a dividend distribution of €0.20 per ordinary share, corresponding to a total distribution of €363 million, payable in June 2022.

On July 27, 2022, the shareholders approved a dividend distribution of €0.24 per ordinary share, corresponding to a total distribution of €435 million, payable in October 2022.

The Company plans to annually declare and pay dividends to all holders of the Shares on a pro rata basis in two semi-annual instalments, in the aggregate amount of no less than 50% of the Company's net profits realized during the relevant financial year, subject to agreed non-cash items. The Company intends to pay an interim dividend in the fourth quarter of each financial year, after the publication of the half-year figures of the Company, and a final dividend in the second quarter of the following financial year, to be paid following approval of the Company's financial statements at its annual General Meeting.

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to at least the total amount of the share capital, the legal reserve, as well as other reserves mandated per the Company Articles of Association.
At December 31, 2022, the legal and non-distributable reserves of the Company amounted to €18,135 million (2021: €18,134 million).

Reconciliation of equity and net (loss)/profit

(in millions of euros)	Year ended December 31, 2022
Equity attributable to Universal Music Group equity holders in the Consolidated financial statements as at 31 December, 2022	2,351
Combined equity pre-incorporation	(1,634)
Intra-group restructuring upon incorporation	33,000
Cumulative dividend	785
Cumulative results of subsidiaries in the Consolidated financial statements	(1,704)
Cumulative charges and income directly recognized in equity in the Consolidated financial statements	(454)
Equity in the Company financial statements as at December 31, 2022	**32,344**

The reconciliation of equity and net(loss)/profit as per the Consolidated financial statements to equity and net (loss)/profit as per the Company financial statements is provided below:

(in millions of euros)	Year ended December 31, 2022
Net (loss)/profit attributable to equity holders of the parent in the Consolidated financial statements	782
Results of subsidiaries in the Consolidated financial statements	(798)
Net (loss)/profit in the Company financial statements as at December 31, 2022	**(16)**

(in millions of euros)	Year ended December 31, 2021
Equity attributable to Universal Music Group equity holders in the Consolidated financial statements as at 31 December, 2021	2,030
Combined equity pre-incorporation as at 31 December, 2020	(1,634)
Intra-group restructuring upon incorporation	33,000
Results of subsidiaries in the Consolidated financial statements	(906)
Dividend	785
Charges and income directly recognized in equity in the Consolidated financial statements	(220)
Equity in the Company financial statements as at December 31, 2021	**33,055**

(in millions of euros)	Year ended December 31, 2021
Net (loss)/profit attributable to equity holders of the parent in the Consolidated financial statements	**886**
Results of subsidiaries in the Consolidated financial statements	(906)
Dividend Income	785
Net (loss)/profit in the Company financial statements as at December 31, 2021	**765**

Note 11. Related parties

Detailed information on the remuneration of the Board of Directors and senior management is included in the "Corporate Governance" and "Remuneration of Directors" sections to the Annual Report. Also refer to note 24 Related Parties of the Consolidated financial statements.

Executive management compensation

As of December 31, 2022 there were 2 (2021: 2) Executive Directors on the UMG N.V board. Their aggregate compensation is presented in the table below.

	Year ended December 31,	
(in millions of euros)	2022	2021
Short-term employee benefits	3	2
	3	2

The Chairman and CEO is directly remunerated by another group company and this remuneration is not recharged to the Company.

Non-executive board compensation

As of December 31, 2022, UMG's non-executive board received director fees of €1 million (2021: €0.2 million).

Other related-party transactions

Other related parties include:

- Overhead costs recharged from and to Universal International Music B.V. to a net amount of €17 million. Disclosed under "Other" in Note 4;
- Investments in subsidiaries (Note 6);
- Long term receivables from Universal International Music B.V. (Note 7);
- Financial income on loans granted (Note 5);
- Intercompany payables (Note 8);
- Financial Guarantees provided to subsidiaries (Note 9);
- Guarantee fees received to the amount of €1 million on guarantees provided to subsidiaries (Note 9);

Note 12. Statutory audit fees

The fees for services provided by the Company's independent auditors, Ernst & Young Accountants LLP and Deloitte Accountants B.V, and its member firms and/or affiliates, consisted of the following:

	Year ended December 31,			
(in millions of euros)	2022		2021	
	Deloitte Accountants B.V.	Ernst & Young Accountants LLP	Deloitte Accountants B.V.	Ernst & Young Accountants LLP
Audit FS	2	2	2	1
Total	**2**	**2**	**2**	**1**

Note 13. Subsequent events

In February 2023, the Revolving Credit Facility agreement was amended with a new maturity date being April 26, 2028.

Around the date when these financial statements were authorised for issue, UMG N.V. was in the process of signing a new short-term floating rate €500 million revolving credit facility.

OTHER INFORMATION

DISTRIBUTION OF PROFITS

Pursuant to article 32 of the Articles, the distribution of profits shall be made after the adoption of the financial statements by the General Meeting from which it appears that the distribution is allowed. The Company may only make distributions to the extent the shareholders' equity of the Company exceeds the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law.

The Board may determine which part of the profits shall be reserved, with due observance of the dividend policy. The General Meeting may resolve to distribute any part of the profits remaining after such reservation. If the General Meeting does not resolve to distribute these profits in whole or in part, such profits (or any profits remaining after distribution) shall also be reserved.

Subject to Dutch law, the Board may resolve to make an interim distribution of profits, provided that it appears from an interim statement of assets and liabilities signed by the Board that the shareholders' equity of the Company exceeds the sum of the issued and called-up part of the share capital of the Company and any reserves that must be maintained pursuant to Dutch law.

The Board, or the General Meeting, at the proposal of the Board, may resolve that a distribution shall not be paid in whole or in part in cash but in kind or in the form of Shares or that Shareholders shall be given the option to receive the distribution in cash or in kind or in the form of Shares (and with due observance of the Articles), and may determine the conditions under which such option can be given to the Shareholders.

Any distribution shall be made pro rata to the respective shareholdings. In calculating the amount of any distribution, Shares held by the Company shall be disregarded, unless such Shares are encumbered with a right of pledge or a right of usufruct.

The Board, or the General Meeting, at the proposal of the Board, may resolve to make distributions from the share premium reserve or other distributable reserves maintained by the Company.

INDEPENDENT AUDITORS' REPORT

To the shareholders and the non-executive directors of Universal Music Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the financial year ended December 31, 2022 of Universal Music Group N.V. ('the company' or 'UMG') based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Universal Music Group N.V. as at December 31, 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS), the International Financial Reporting Standards as issued by the IASB (IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company statement of financial position as at December 31, 2022.
- the following statements for the year ended 31 December 2022: the consolidated and company profit and loss, comprehensive income, changes in equity and cash flows.
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of Universal Music Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Universal Music Group N.V. is a music company which operates worldwide in over more than 100 countries. The group is structured in components, and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 75 million (2021: € 60 million). The materiality is based on profit before tax and amounts to 8,3% of profit before taxes (and 5% of profit before taxes normalized for the changes in fair value of financial instruments).

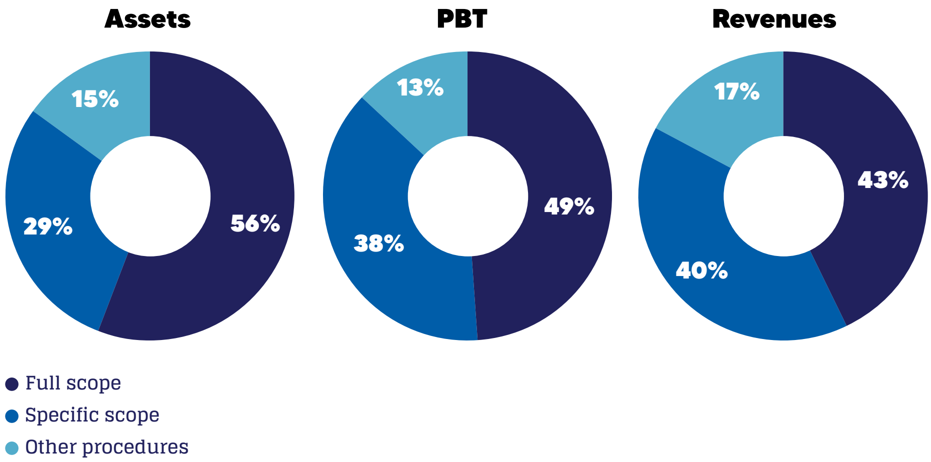
We agreed with the non-executive directors that misstatements in excess of €3,75 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Universal Music Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Our joint group audit mainly focused on significant group entities in terms of size and financial interest or where significant risks or complex activities were present, leading us to involve component auditors for component entities in the United States, the United Kingdom, Japan, France and Germany.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items. Our joint ISA 600 procedures included a combination of physical and remote working paper reviews for France, Germany, Japan, United Kingdom and the United States of America, and virtual and live meetings with the component auditors and component management. We also jointly reviewed component audit team deliverables for the countries listed above to gain a sufficient understanding of the work performed based on our instructions. For smaller components, we have jointly performed review procedures or specific audit procedures at group level.



We jointly performed audit procedures at group level on areas like the group shared service center, the consolidation, disclosures, impairment testing for goodwill and other non-current assets, financial instruments, acquisitions and divestments, share-based compensation, loans and borrowings and equity investments. Furthermore, we performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming and the use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the Media and Entertainment industry. We included specialists in the areas of IT audit, income tax, forensics, sustainability, treasury, share based payments, valuations and employee benefits.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets ('stranded assets') and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

The board of directors summarized Universal Music Group N.V.'s commitments and obligations, and reported in the section Non-Financial Performance of the board report how the company is addressing climate-related and environmental risks. Furthermore, we refer to the section ESG commitments of the board report where the board of directors disclose its assessment and implementation plans in connection to climate-related risks and the effects of energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the company's commitments are taken into account in estimates and significant assumptions. Furthermore, we read the board report and considered whether there is any material inconsistency between the non-financial information as included in the sections Financial review, Shareholders information and Risk & Risk management and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at 31 December 2022.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the non-executive directors exercise oversight, as well as the outcomes.

We refer to the section risk and risk management of the board report for the board's (fraud) risk assessment and the audit committee section of the non-executive directors' report in which the non-executive directors reflect on this (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption, in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2.2 to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

When identifying and assessing fraud risks, we presumed that there are risks of fraud in revenue recognition. We considered, amongst others, the company's revenue related significant contracts signed in 2022 with third parties and the accompanying accounting treatment of terms and conditions within these contracts. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk. These risks did however not require significant auditor's attention.

We considered available information and made enquiries of relevant executives, directors, internal controls compliance, internal audit, legal, human resources and regional directors and the non-executive directors.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements, through inquiry of key management personnel, the board of directors, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures. We also involved our forensic specialists.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section 'Basis of preparation and consolidation' in Note 2.2 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism.

We considered whether the board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

Based on our procedures performed, we did not identify material uncertainties about going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the non-executive directors. The key audit matters are not a comprehensive reflection of all matters discussed.

The prior year key audit matter 'First year joint audit' is no longer included because this is our second-year audit. The prior year key audit matter 'Estimate associated with the publishing and recorded music broadcast revenues that are collected through collecting societies' was included because the company updated its accounting policy in the prior year resulting in retrospective adjustments to reflect the impact. This is no longer applicable in 2022.

Valuation of Royalty advances to artists and repertoire owners

Risk	Our audit approach	Key observations
The company provides royalty advances to artists in order to support the artist in future performances. As of December 31, 2022, the total amount of royalty advances amounted to EUR 2,6 billion (2021: EUR 2,4 billion). As described in note 2.4.9 and note 9 to the financial statements, these advances to artists, songwriters and co-publishers are capitalized as an asset when their current popularity and past performances provide a reasonable basis to conclude that the future recoupment of such royalty advances against future earnings otherwise payable to them is reasonably assured. Any portion of capitalized royalty advances not deemed to be recoverable against future royalties is expensed during the period in which the loss becomes evident. As described in note 2.2 to the financial statements, the significant judgements in making the estimate whether capitalized royalty advances are recoverable against future royalties mainly relate to the estimated future earnings performance of beneficiaries who received advances. We consider this to be a key audit matter based on the significant judgements in making the estimate.	We obtained an understanding of the processes of making the aforementioned estimate and the related accounting policies. We evaluated the company's accounting policies for recognition and measurement of royalty advances for compliance with IAS 38 'Intangible assets'. Furthermore, we performed, amongst others, the following audit procedures: • We obtained an understanding of and evaluated the design and implementation of the relevant internal controls over the valuation of royalty advances; • We obtained the contracts and supporting documentation for payments related to material royalty advances during the year; • We traced the recoupment during the year to supporting documentation on a sample basis and peformed backtesting by comparing the recoupment during the year with prior period estimates; • We evaluated the recoverability of exposed advances by challenging the assumptions used by the board in their recoverability analysis. This includes agreeing royalty rates applied in the calculation to the applicable artist agreements and testing the assumptions of future earnings made by management; • We carried out recoverability analysis to assess the appropriateness of current vs. non-current classifications of advances.	Applying the aforementioned materiality, we did not identify any reportable findings in the board's assessment of the royalty advances and the disclosures in notes 2.2, 2.4.9 and note 9.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the board report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The board of directors and the non-executive directors are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement
We were engaged by the general meeting as auditors of Universal Music Group N.V. on 20 September 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format (“ESEF”)
Universal Music Group N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by Universal Music Group N.V., complies in all material respects with the RTS on ESEF.

The board of directors is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the board of directors combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the board of directors and the non-executive directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS, IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.
The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the non-executive directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the non-executive directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the non-executive directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 30, 2023

Ernst & Young Accountants LLP	Deloitte Accountants B.V.
Was signed on the original:	Was signed on the original:
J-L Geutjes	I.A. Buitendijk

APPENDIX

BIOS CORPORATE EXECUTIVES

Sir Lucian Grainge

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Sir Lucian Grainge has spent his entire career in the music industry and has signed and worked with many worldwide stars, including ABBA, Jay Z, Elton John, Katy Perry, Queen, Rihanna, The Rolling Stones, Sam Smith, U2 and Amy Winehouse, among many others. During the span of four decades, he not only pioneered new approaches to the signing and development of the world's most successful recording artists and songwriters, he also consistently championed the development of innovative business models and partnerships with a wide range of technology and media partners around the world. He has transformed Universal Music Group (UMG) into the most successful company in the history of the music industry, both competitively and financially, and his vision and leadership is widely recognized as having returned the entire industry to growth after years of decline. In 2011, he led UMG's successful acquisition of the recorded music assets of the legendary British music company EMI, revitalizing its iconic Capitol Records, and, in the process, further strengthening UMG's position as the global leader in music. A native of London, Sir Lucian was bestowed with a knighthood in 2016 by Her Majesty Queen Elizabeth II in the Queen's 90th Birthday Honours list for accomplishments in the music industry and leadership through its challenging times, contributions to British business and inward investment, as well as his development of innovative business models, technology and media partnerships that have expanded UMG's global presence.

Philippe Flageul

EXECUTIVE VICE PRESIDENT, CONTROLLER

Philippe Flageul is responsible for overseeing many aspects of UMG's finance operations, including accounting, tax, treasury, risk management and IT and supply chain finance. He also oversees UMG's global procurement. Flageul joined UMG in 2015 from Bolloré Group, where he worked for more than two decades as CFO of the industrial division and Chairman of IER. Philippe holds an MBA from EDHEC.

Jody Gerson

CHAIRMAN AND CEO, UNIVERSAL MUSIC PUBLISHING GROUP

Jody Gerson is one of music's most respected, accomplished executives and creative authorities. She is the first female chairman of a global music company and the first woman to be named CEO of a major music publisher. Since joining UMPG in 2015, Gerson has transformed the company into the industry's best global home to songwriters and a billion-dollar business – more than doubling revenue and substantially increasing profit. Gerson led UMPG's historic catalog acquisitions of Bob Dylan, Sting, Neil Diamond and Frank Zappa. She has signed and works with the world's biggest superstars including Elton John, Taylor Swift, Harry Styles, Kendrick Lamar, Bad Bunny, Adele, The Weeknd, Billie Eilish, SZA, Rosalia, Drake, Steve Lacy, Alicia Keys, Coldplay, Justin Bieber, Post Malone, Ariana Grande, H.E.R., Maren Morris, the Bee Gees, Prince, and more. Gerson cofounded nonprofit She Is The Music and serves on Boards for the USC Annenberg Inclusion Initiative, The Rock & Roll Hall of Fame, the National Music Publishers Association, The Archer School for Girls and New Roads School. Gerson executive produced numerous acclaimed film/TV projects, including HBO's 'The Bee Gees: How Can You Mend a Broken Heart' and HBO's 'Music Box' series, and produced feature films 'Drumline' and 'ATL.'

Jeffrey Harleston

GENERAL COUNSEL AND EXECUTIVE VICE PRESIDENT OF BUSINESS AND LEGAL AFFAIRS

Jeffrey Harleston is responsible for the global oversight of all business transactions, contracts and litigation. He is additionally responsible for the development of corporate policies, including the coordination of UMG's government relations, trade and anti-piracy activities, to ensure a unified strategy across the Company's divisions. Harleston joined the Company in 1993 at MCA Records, after serving as Associate Independent Counsel for the Iran-Contra Investigation and prior to that as an Associate at Covington & Burling LLP. Harleston serves as co-chair of UMG's Task Force for Meaningful Change, where he leads a group of influential executives from across the Company to focus on issues regarding inclusion and social justice. Harleston also serves on the boards of the Recording Industry Association of America (RIAA), MusiCares, Williams College and the Harvard-Westlake School. He received a B.A. in Political Science from Williams College and a J.D. from the University of California, Berkeley School of Law.

Eric Hutcherson

EXECUTIVE VICE PRESIDENT, CHIEF PEOPLE AND INCLUSION OFFICER

With a focus on people, culture and inclusion, Eric Hutcherson leads a global team across UMG's record labels, publishing division and operating companies to align talent functions, amplify the Company's entrepreneurial-based culture, accelerate diversity and inclusion across all levels and territories, attract, retain and develop talent, accelerate the Company's social justice initiatives and build on UMG's successful track-record of driving innovation by recruiting employees who bring new ideas, perspectives and skillsets. Prior to joining UMG, he was EVP, Chief Human Resources Officer of the National Basketball Association (NBA) where he managed a team that drove the NBA's global workforce strategy. Hutcherson earned a bachelor's degree in Political Science from New York University and a master's degree in Sports Management and Administration from the University of Massachusetts-Amherst.

Boyd Muir

EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND PRESIDENT OF OPERATIONS

Working seamlessly across the corporate and creative aspects of UMG's operations, Boyd Muir is responsible for overseeing many of UMG's corporate operations including global finance. Muir led the strategic physical-to-digital reshaping of the Company's businesses, and he has played a key role in several of UMG's most prominent acquisitions, including Sanctuary Group and V2 Music Group, as well as the Company's successful acquisition of EMI, Ingrooves Music Group and Epic Rights, among others. Muir joined UMG in 1994 and previously served as Chief Financial Officer for Universal Music Group International, a division that managed UMG's businesses in more than 50 countries.

Michael Nash

EXECUTIVE VICE PRESIDENT, CHIEF DIGITAL OFFICER

Michael Nash supervises UMG's digital business development activities around the world, manages strategic relationships with the Company's largest partners, and oversees global digital licensing, as well as numerous innovation initiatives. Nash has worked at the forefront of media and technology convergence for his entire career as an executive, entrepreneur and producer. Before joining UMG in 2015, he served as a strategic advisor to Warner Music Group, as well as several digital media startups; prior to that, he served as WMG's Executive Vice President of Digital Strategy and Business Development, responsible for WMG's global digital business. Prior to WMG, Nash was the Executive Director of the Madison Project, the music industry's first digital distribution trial, and he was the founding CEO of Inscape, an interactive entertainment and games publishing joint venture backed by Time Warner.

Will Tanous

EXECUTIVE VICE PRESIDENT, CHIEF ADMINISTRATIVE OFFICER

Will Tanous plays a key role in the development of the Company's business strategy, overseeing several major strategic and corporate endeavors, as well as managing worldwide external and internal communications, global public policy, investor and government relations, event functions and social responsibility. Prior to joining UMG in 2013, Tanous served as Executive Vice President of Communications & Marketing for Warner Music Group where he was central in all of the Company's major corporate initiatives, including: the sale of WMG to Access Industries, Inc.; WMG's initial public offering on the New York Stock Exchange in 2005; and the sale of WMG by Time Warner Inc. to a private equity consortium. He serves on the board of the Recording Industry Association of America and is a graduate of Georgetown University in Washington D.C.

Vincent Vallejo

DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE

Vincent Vallejo is Deputy Chief Executive Officer, Corporate for Universal Music Group. Based at the Company's corporate headquarters in Hilversum, the Netherlands and reporting to UMG's Chairman and Chief Executive Officer, Sir Lucian Grainge CBE, Vallejo is leading a number of corporate initiatives related to the Company's listing on Euronext Amsterdam. Vallejo has worked closely across UMG matters since joining Vivendi in 1998, most recently as SVP, Audit & Special Projects. Prior to joining Vivendi, Vallejo held positions at AGF-ALLIANZ France (Deputy CFO) and Ernst & Young Paris and Madrid. Vallejo received an MBA from Montpellier University and a Master of Science from Cornell-Essec, Cergy-Pontoise, France.

BIOS BOARD OF DIRECTORS

Sir Lucian Grainge

Male, Age: 63, Nationality: British

CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Sir Lucian Grainge has spent his entire career in the music industry and has signed and worked with many worldwide stars, including ABBA, Jay Z, Elton John, Katy Perry, Queen, Rihanna, The Rolling Stones, Sam Smith, U2 and Amy Winehouse, among many others. During the span of four decades, he not only pioneered new approaches to the signing and development of the world's most successful recording artists and songwriters, he also consistently championed the development of innovative business models and partnerships with a wide range of technology and media partners around the world. He has transformed Universal Music Group (UMG) into the most successful company in the history of the music industry, both competitively and financially, and his vision and leadership is widely recognized as having returned the entire industry to growth after years of decline. In 2011, he led UMG's successful acquisition of the recorded music assets of the legendary British music company EMI, revitalizing its iconic Capitol Records, and, in the process, further strengthening UMG's position as the global leader in music. A native of London, Sir Lucian was bestowed with a knighthood in 2016 by Her Majesty Queen Elizabeth II in the Queen's 90th Birthday Honours list for accomplishments in the music industry and leadership through its challenging times, contributions to British business and inward investment, as well as his development of innovative business models, technology and media partnerships that have expanded UMG's global presence.

Vincent Vallejo

Male, Age: 62, Nationality: French

DEPUTY CHIEF EXECUTIVE OFFICER, CORPORATE AND EXECUTIVE DIRECTOR

Vincent Vallejo is Deputy Chief Executive Officer, Corporate for Universal Music Group. Based at the Company's corporate headquarters in Hilversum, the Netherlands and reporting to UMG's Chairman and Chief Executive Officer, Sir Lucian Grainge CBE, Vallejo is leading a number of corporate initiatives related to the Company's listing on Euronext Amsterdam. Vallejo has worked closely across UMG matters since joining Vivendi in 1998, most recently as SVP, Audit & Special Projects. Prior to joining Vivendi, Vallejo held positions at AGF-ALLIANZ France (Deputy CFO) and Ernst & Young Paris and Madrid. Vallejo received an MBA from Montpellier University and a Master of Science from Cornell-Essec, Cergy-Pontoise, France.

Sherry Lansing

Female, Age: 78, Nationality: American

CHAIRMAN OF THE BOARD AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Sherry Lansing is the founder and CEO of The Sherry Lansing Foundation, an organization dedicated to funding and raising awareness for cancer research, health, public education, and encore career opportunities. Lansing has extensive knowledge regarding the creative industries, including but not limited to audio/visual content. During a nearly 30-year career in the motion picture business, Lansing was involved in the production, marketing, and distribution of more than 200 films, including Academy Award winners Forrest Gump, Braveheart, and Titanic. In 1980, she became the first woman to head a major film studio when she was appointed President of 20th Century Fox. Later, as an independent producer, she was responsible for such successful films as Fatal Attraction, The Accused, School Ties, Indecent Proposal, and Black Rain. Returning to the executive ranks in 1992, Lansing was named Chairman and CEO of Paramount Pictures and began an unprecedented tenure that lasted more than 12 years. Lansing graduated cum laude with a Bachelor of Science Degree from Northwestern University in 1966.

Anna Jones

Female, Age: 48, Nationality: British

VICE CHAIRMAN OF THE BOARD AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Anna Jones is the co-founder and Non-Executive Director of AllBright, the global women’s network and members' club founded in 2017 to connect, upskill and inspire professional women. She has more than 15 years of experience in leadership roles with broad and deep expertise in content, digital disruption, strategic growth and business transformation. Prior to founding AllBright, Jones served as CEO of Hearst Magazines UK from 2014 to 2017, where she oversaw 24 media brands that together formed a network of content and experiences across multiple platforms that reached a quarter of all UK adults. As Hearst Magazines UK’s Chief Operating Officer from 2011 to 2014, she had strategic and operational responsibility for the business overall, following the acquisition and integration of Hachette Filipacchi in 2011. Jones has additionally served on the board of the Creative Industries Federation, a national membership organisation for the public arts, cultural education and creative industries, from 2015 to 2019. Jones holds a Bachelor of Arts degree in International Business Management from Newcastle University.

Antoine Fiévet

Male, Age 59, Nationality: French

INDEPENDENT NON-EXECUTIVE DIRECTOR

Antoine Fiévet is the Chairman and CEO of the Bel Group, a world leader in branded cheese and a major player in the healthy snack market with 33 production sites and a distribution network spanning nearly 120 countries. His three decades of professional experience include 20 years as Bel Group’s CEO, where he has additionally served as Chairman since 2009. Under Fiévet’s leadership, Bel Group adopted concrete actions to address sustainable agriculture, healthy food, responsible packaging, the fight against climate change and product accessibility. Fiévet received a graduate degree from Université Paris II Panthéon Assas and an undergraduate degree from Institut Supérieur de Gestion.

Bill Ackman

Male, Age: 56, Nationality: American

NON-EXECUTIVE DIRECTOR

Bill Ackman is the CEO of Pershing Square Capital Management, L.P., an investment firm he founded in 2003. Ackman is Chairman of The Howard Hughes Corporation (NYSE:HHC). He serves as a member of the Investor Advisory Committee on Financial Markets for the Federal Reserve Bank of New York, and as a member of the Board of Dean's Advisors of the Harvard Business School. He served as Chairman and CEO of Pershing Square Tontine Holdings, Ltd. (NYSE:PSTH), a special purpose acquisition company, from July 2020 to July 2022. Ackman is co-trustee of the Pershing Square Foundation, a family foundation. Ackman received an MBA from the Harvard Business School and a Bachelor of Arts magna cum laude from Harvard College.

Cathia Lawson-Hall

Female, Age: 51, Nationality: French and Togolese

NON-EXECUTIVE DIRECTOR

Cathia Lawson-Hall is Head of Coverage and Investment Banking for Africa for Société Générale, where she oversees the overall relationship and strategic consulting with governments, large corporates and financial institutions in Africa. Previously, she served as Managing Director, Co-Head of Debt Capital Markets for corporates in France, Belgium and Luxembourg. Lawson-Hall joined Société Générale in 1999 as a financial analyst covering the telecommunications and media sectors before moving into financial consulting. She has more than 25 years of experience in financial services, starting as a corporate finance professor at the University of Paris-Dauphine. Lawson-Hall is the founding member of the acquisition committee of African Modern and Contemporary Art at Centre Georges Pompidou, world leading museum of modern and contemporary art. She sits on the board of directors of The Amis du Centre Pompidou, the first patrons of the museum who contribute to the enrichment of the collections of the institution. Lawson-Hall holds a Master's degree and a postgraduate degree in Finance from Paris Dauphine University in France.

Cyrille Bolloré

Male, Age: 37, Nationality: French
NON-EXECUTIVE DIRECTOR

Cyrille Bolloré serves as the Chairman and Chief Executive Officer of Bolloré Group, a family-controlled holding company which is among UMG's largest investors and among the 500 largest companies in the world with focused investments in transportation and logistics, communication, electricity storage and solutions. At Bolloré Group, he additionally serves as Chairman of Bolloré Transport & Logistics Corporate, Chairman of the Board of Directors of Bolloré Energy, Chairman of BlueElec, Chairman of the Supervisory Board of Sofibol, Chairman of the Management Board of Compagnie du Cambodge, and Vice-Chairman of Compagnie de l'Odet, as a Director of Bolloré Participations SE, Financière V, Omnium Bolloré, Société Industrielle et Financière de l'Artois, Financière du Champ de Mars, SFA SA, Nord Sumatra Investissements, and Plantations des Terres Rouges, as a permanent representative on the Boards of Financière Moncey, Bolloré Logistics, and Sogetra, and as a member of the Supervisory Board of JCDecaux Bolloré Holding. In addition, Bolloré serves as a director on the boards of several prominent companies, including on the Supervisory Board of Vivendi SE, and also serves on the Board of Socfinasia and Socfin, and as a permanent representative on the Board of Socfinaf. Bolloré is a graduate of Paris Dauphine University, and holds a Master's degree in economics and management, with a major in finance.

James Mitchell

Male, Age: 49, Nationality: British
NON-EXECUTIVE DIRECTOR

James Mitchell is a Senior Executive Vice President and Chief Strategy Officer of Tencent Holdings Limited (HKEX:0700), where he has worked since July 2011. Mitchell has also served as the Chairman and Non-Executive director of the board of China Literature Limited (HKEX:0772) since June 2017. He is also a director of certain other listed companies including Frontier Developments Plc (AIM:FDEV), NIO Inc. (NYSE:NIO, HKEX:09866) and Tencent Music Entertainment Group (NYSE:TME), and of various unlisted companies. Prior to joining Tencent, Mitchell was a managing director at Goldman Sachs. Mitchell received a Bachelor of Arts degree from Oxford University and holds a Chartered Financial Analyst Certification.

Luc Van Os

Male, Age: 56, Nationality: Dutch
NON-EXECUTIVE DIRECTOR

Luc van Os is co-owner of Misset Uitgeverij, a B2B publisher of multi-media brands for the agricultural sector, and of Rendement Uitgeverij, a B2B multi-media publisher specialized in HR, fiscal and salary information. Previously, he served for 12 years as CEO of Hearst Netherlands and its predecessors, home to titles including Harper's Bazaar, Elle, Quote and Cosmopolitan. Prior to serving as CEO, he held different leadership roles at Hearst and its predecessors, Hachette Filipacchi Media and Quote Media. Under his leadership, Hearst became the largest upscale magazine publisher in the Netherlands. Van Os is also a member of the Supervisory Board of VNO-NCW, the national employers association in the Netherlands.

Manning Doherty

Male, Age: 50, Nationality: Canadian

NON-EXECUTIVE DIRECTOR

Manning Doherty is Managing Director of GIC Pte Ltd., Singapore's sovereign wealth fund, where he sits in the Integrated Strategies Group that primarily focuses on public and private debt and equity investments globally. Doherty is a bilingual investment professional, whose career spans senior roles in equity research, private equity and special situation investment and monitoring in Asia and the U.S. Prior to GIC, he served as Managing Director of Mount Kellett Capital from 2011 to 2015 and Managing Director of Oaktree Capital Management from 2006 to 2011. Doherty has specialized knowledge in providing strategic review to develop adjacent business lines; improvement of KPI monitoring and decision making; broadening Company contacts across industry; and the evaluation of strategic M&A and corporate finance actions. Doherty holds an MBA from The Wharton School at the University of Pennsylvania, where he also earned a Master's degree in International Studies from the Lauder Institute. He also holds a Bachelor of Arts degree from Queen's University in Kingston, Ontario in Canada.

Margaret Frerejean-Taittinger

Female, Age: 37, Nationality: American

INDEPENDENT NON-EXECUTIVE DIRECTOR

Margaret Frerejean-Taittinger is the co-founder of French Bloom, a company that specializes in organic alcohol-free sparkling wines. Serving as Chief Marketing Officer, Frerejean-Taittinger has successfully positioned French Bloom as the market leader of the super-premium 0.0% category with presence in more than 20 markets. Previously, she served as International Development Manager for the Michelin Guide, the renowned restaurant rating system that publishes its yearly selections in over 35 countries. In this role, Frerejean-Taittinger led the expansion of the Michelin Guide working towards doubling its international footprint over a period of five years. Prior to Michelin, she served as the Director of Communications and Marketing for Laboratories Surface-Paris, a beauty company that specializes in cosmeceutical skincare. Frerejean-Taittinger also spent eight years in the International Development field, addressing cross-sector challenges to sustainable development with a focus on education and micro-finance in East Africa. Frerejean-Taittinger holds a Master of Development Practice from L'Institut d'Etudes Politiques de Paris (Sciences Po), where she graduated Summa Cum Laude.

Nicole Avant

Female, Age: 55, Nationality: American

INDEPENDENT NON-EXECUTIVE DIRECTOR

Nicole Avant served as the 13th U.S. Ambassador to The Bahamas after being nominated by President Barack Obama and unanimously confirmed by the U.S. Senate, becoming the youngest as well as the first African American woman to hold the position. In addition to her international diplomatic work, Ambassador Avant brings deep commercial insight and knowledge of the media industries. Most recently, she has focused her efforts on developing films and television and produced the critically acclaimed and award-winning documentary, The Black Godfather, for Netflix. Previously, she served as Vice President of Interior Music Publishing and currently serves on the Board of Membership Collective Group, Inc., the holding company of the Soho House social clubs. Throughout her career, Ambassador Avant has also pursued an array of business and philanthropic ventures. Ambassador Avant graduated with a Bachelor of Arts Degree in Communications from California State University, Northridge in 1991.

DEFINITIONS

In this Annual Report release, UMG presents certain financial measures when discussing UMG's performance that are not measures of financial performance or liquidity under IFRS ("non-IFRS"). These non-IFRS measures (also known as alternative performance measures) are presented because management considers them important supplemental measures of UMG's performance and believes that they are widely used in the industry in which UMG operates as a means of evaluating a company's operating performance and liquidity. UMG believes that an understanding of its sales performance, profitability, financial strength and funding requirements is enhanced by reporting the following non-IFRS measures. All non-IFRS measures should be considered in addition to, and not as a substitute for, other IFRS measures of operating and financial performance as presented in UMG's Consolidated Financial Statements and the related Notes. In addition, it should be noted that other definitions and calculations for these non-IFRS measures that differ from those used by UMG, thereby affecting comparability.

EBITDA and EBITDA margin

UMG considers EBITDA and EBITDA margin, non-IFRS measures, to be relevant measures to assess the performance of its operating segments as reported in the segment data. It enables UMG to compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or by acquisitions. EBITDA margin is EBITDA divided by revenue.

To calculate EBITDA, the accounting impact of the following items is excluded from Operating Profit:

i. amortization of intangible assets
ii. impairment losses on goodwill and other intangibles
iii. other income and expenses related to transactions with shareowners (except when directly recognized in equity)
iv. depreciation of tangible assets including right of use assets
v. (gains)/losses on the sale of tangible assets, included right of use assets and intangible assets
vi. restructuring expenses
vii. other non-recurring items

Adjusted EBITDA and Adjusted EBITDA margin

The difference between EBITDA and Adjusted EBITDA consists of non-cash share-based compensation expenses and certain one-time items that are deemed by management to be significant and incidental to normal business activity. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue.

UMG considers Adjusted EBITDA and Adjusted EBITDA margin, non-IFRS measures, to be relevant measures to assess performance of its operating segments excluding items that may be incidental to normal business activity.

Adjusted Net Profit/Adjusted Net Profit per share

UMG considers the use of Adjusted net profit appropriate as UMG uses it as the basis for the Adjusted net profit per share (in EUR) – diluted, both of which are non-IFRS measures. Adjusted net profit may be subject to limitations as an analytical tool for investors, as it excludes certain items and therefore does not reflect the expense associated with such items, which may be significant and have a significant effect on UMG's net profit.

The accounting impact of the following items is excluded from Net profit attributable to equity holders of the parent:

i. amortization of catalogues
ii. impairment losses on goodwill and intangible assets
iii. other charges and income related to transactions with shareowners
iv. financial income and expenses, excluding interest and income from investments
v. earnings from discontinued operations
vi. non-cash share-based compensation expenses
vii. certain one-time items that are deemed by management to be significant and incidental to normal business activity
viii. income taxes and adjustments attributable to non-controlling interests
ix. non-recurring tax items

Financial Net Debt

UMG considers financial net debt, a non-IFRS measure, to be a relevant indicator of the group's liquidity and capital resources. UMG management uses this indicator for reporting, management and planning purposes. Financial Net Debt is calculated as the sum of:

i. cash and cash equivalents, as reported in the Consolidated Statement of Financial Position, including (i) cash in banks and deposits, whether or not compensated, corresponding to cash, and (ii) money market funds
ii. cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", relating to financial investments, which do not satisfy the criteria for classification as cash equivalents set forth in IAS 7
iii. derivative financial instruments, net (assets and liabilities) where the underlying instruments are Financial Net Debt items, as well as cash deposits securing borrowings included in the Consolidated Statement of Financial Position under "financial assets"

less:

i. the value of borrowings at amortized cost as reported in the Consolidated Statement of Financial Position

Free Cash Flow

UMG defines Free Cash Flow as net cash provided by/(used for) operating activities plus net cash provided by/(used for) investing activities, less repayment of lease liabilities, interest, net and other cash items related to financing activities. UMG considers free cash flow, a non-IFRS measure, to be a relevant indicator of the group's cashflow generated to fund dividend payments and repayment of debt. Free Cash Flow is not a measure of performance calculated in accordance with IFRS and therefore it should not be considered in isolation of, or as a substitute for cash flow provided by operating activities as a measure of liquidity. Free Cash Flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs.

Reconciliation of net profit attributable to equity holders of the parent to adjusted net profit

	Year ended, December 31	
(in millions of euros)	2022	2021
Net profit attributable to equity holders of the parent[1]	**782**	**886**
Financial income and expenses, excluding interest and income from investments	671	220
Non-cash share-based compensation expense	107	79
Certain one time items[2]	(11)	23
Impairment of intangible assets	17	-
Amortization of catalogues	233	144
Income tax on adjustments	(255)	(81)
Non-recurring tax items	(90)	-
Adjusted Net Profit	**1,454**	**1,271**

1 As reported in the Consolidated Statement of Profit or Loss

2 Certain one time items in 2022 includes interest income in relation to the one-time non-recurring tax item and in 2021 related to expenses related to the direct listing of UMG on the Euronext Amsterdam.

Adjusted net profit per share

	Year ended December 31,			
(in millions of euros)	2022		2021	
	basic	*diluted*	*basic*	*diluted*
Adjusted net profit	**1,454**	**1,454**	**1,271**	**1,271**
Number of shares[1]				
Weighted average number of shares outstanding	1,813	1,813	1,813	1,813
Potential dilutive effects related to sharebased compensation	-	3	-	1
Adjusted weighted average number of shares	1,813	1,816	1,813	1,814
Adjusted net profit per share (in euros)	**0.80**	**0.80**	**0.70**	**0.70**

1 As reported in Note 7 of the Consolidated Financial Statements.

Net cash provided by operating activities - Adjustments

Operating profit includes certain non-cash items that are adjusted to get to the Net cash provided by operating activities as follows:

(in millions of euros)	Year ended, December 31 2022	2021
Amortization and depreciation expense	377	277
Impairment of intangible assets	17	–
Changes in provisions, net	65	8
(Gain)/loss on sale of assets	2	(2)
Other non-recurring items	–	(3)
Adjustments	**461**	**280**

CAUTIONARY NOTICE

Forward-looking statements

The annual report contains statements that may constitute forward-looking statements with respect to UMG's financial condition, results of operations, business, strategy and plans. Such forward-looking statements may be identified by the use of words such as 'profit forecast', 'expect', 'estimate', 'project', 'anticipate', 'should', 'intend', 'plan', 'probability', 'risk', 'target', 'goal', 'objective', 'will', 'endeavour', 'optimistic', 'prospects' and similar expressions or variations on such expressions. Although UMG believes that such forwardlooking statements are based on reasonable assumptions, they are not guarantees of future performance. Actual results may differ materially from such forward-looking statements as a result of a number of risks and uncertainties, many of which are related to factors that are outside UMG's control, including, but not limited to, UMG's inability to compete successfully and to identify, attract, sign and retain successful recording artists and songwriters, failure of streaming and subscription adoption or revenue to grow or to grow less rapidly than anticipated, UMG's reliance on digital service providers, UMG's inability to execute its business strategy, the global nature of UMG's operations, UMG's inability to protect its intellectual property and against piracy, UMG's inability to attract and retain key personnel, changes in laws and regulations and the other risks described in the annual report. Accordingly, UMG cautions readers against placing undue reliance on such forward-looking statements. Such forward-looking statements are made as of the date of the annual report. UMG disclaims any intention or obligation to provide, update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.