

Independent Workforce Engagement

FAQs for Warner Music Group Managers

GENERAL PROGRAM INFORMATION

Warner Music Group engages independent professionals—commonly known as independent contractors, consultants, freelancers, small services providers, and non-employee workers—to deliver specialized services. These independents provide Warner Music Group with workforce flexibility and subject matter expertise that can augment the abilities of its full-time staff.

In short, independent professionals help Warner Music Group compete in the ever-escalating war for talent—and it is critical that Warner Music Group engages them safely and efficiently.

Why does Warner Music Group use a program for engaging independent workers?

A consistent independent workforce engagement program promotes enterprise-wide process consistency, improves productivity, controls costs, increases visibility into provider relationships and spend, and mitigates the risks associated with using independents—most notably, independent contractor reclassification.

Reclassification can occur when the IRS or state tax authorities determine that independents working for a client do not meet the necessary criteria to engage as true vendors (or “independent contractors”) and be paid on a “1099” basis. These authorities may then **reclassify** them as employees, which frequently results in significant penalties and back-tax payments for the client. Reclassified workers may also try to recoup back-benefits through class-action lawsuits, which could prove very damaging to Warner Music Group and its reputation, brand, and bottom line.

How will this program remove these risks?

The program ensures that only independent professionals who meet all appropriate qualification requirements may engage as vendors. All others must either work with MBO to establish a qualified business or engage as payrolled employees of MBO Partners.

This eliminates Warner Music Group’s reclassification risk entirely and minimizes other risks, such as class-action lawsuits and business liability risk.

Who at Warner Music Group is managing this program?

This program has been developed as a joint effort between Warner Music Group’s Human Resources, Legal, Finance, and Global Procurement organizations.

Which independents are appropriate for this program?

All professional internally identified independents (i.e., those not recruited or sourced through a staffing company) must engage through this program. This includes individuals and small businesses of three or fewer employees.

Important: Incorporated entities and former employees are **not exempt** from this program. If you have questions concerning whether a worker you wish to engage is appropriate for this program, please contact your HR partner.

MBO PARTNERS AND ITS SERVICES

Why MBO Partners?

Since 1996, MBO Partners has delivered solutions that make it safer and easier for enterprise organizations and top independent professionals to work together. MBO strengthens relationships, minimizes risk, and maximizes value for businesses like Warner Music Group. Our unmatched experience and industry leadership enable us to operate on the forefront of the independent economy and consistently advance the next way of working.

What services does MBO offer for engaging independent workers?

MBO features three engagement services which together ensure that all independents engage through a compliant program suited to their needs, expectations, and eligibility to operate as independent vendors.

- **Vendor Services.** A business-to-business engagement service for professionals who qualify to engage with Warner Music Group as independent vendors. Workers interested in engaging through Vendor Services must undergo qualification evaluation during the Warner Music Group / MBO onboarding process to ensure they meet [these criteria](#).
- **Business Services.** A unique engagement alternative for Sole Proprietors and other independent professionals who wish to work as compliant independent business owners (LLCs or corporations) but need assistance meeting and maintaining the appropriate credentials to do so. These workers enjoy the freedom and flexibility of operating an independent business at less cost and with less administration than doing it alone.
- **Payroll Services.** A conventional W-2 payrolling solution for engaging workers who are ineligible for Vendor Services or Business Services due to their requirements, expectations, or status as an independent business.

The table that follows compares these three services side-by-side, or you can click here to see more [detailed descriptions](#).

	MORE LIKE A BUSINESS		MORE LIKE AN EMPLOYEE
	Vendor Services	Business Services	Payroll Services
Snapshot	Agent-of-record service for qualified vendors; MBO indemnifies Warner Music Group for tax-related penalties of reclassified	Business set-up and management for professionals who need help meeting and maintaining vendor credentials	Traditional payrolling; FLSA applies, including overtime and double-time as per state laws
Who is appropriate?	Professionals who operate as independent businesses and meet vendor requirements	Professionals who see themselves as independent businesses but do not currently qualify as vendors	Workers who do not see themselves or operate as true independent businesses
Vendor-qualified?	Yes	No	No (not evaluated)
Tax status	Independent vendor (1099)	1099 or W-2 of own corporation	W-2 of MBO Partners
Business insurances	Must carry insurances at Warner Music Group-required levels	Covered under MBO's General Liability and Errors & Omissions*	Covered under MBO's General Liability and Errors & Omissions
Rate negotiation	Negotiate a bill rate that already factors in statutory taxes	Negotiate a bill rate that already factors in statutory taxes	Negotiate pay rate that does not factor in statutory taxes
When is the worker paid?	Upon receipt of Warner Music Group's payment	Upon receipt of Warner Music Group's payment	Two weeks after a given work week (or one week if required by law)

* Independents may be required to purchase their own GL or E&O insurance to show an investment in their business for compliance purposes.

How does MBO decide which service is best for each worker?

All Warner Music Group-referred independents complete a brief online survey that explores their independent experience, business structure and characteristics, expectations, and vendor qualification status. We also conduct a one-on-one consultation with the worker if necessary. We then have the information we need to select the engagement service that best fits the worker's unique situation.

Please note that we factor workers' wishes into our service determination, but we always ensure that they meet applicable eligibility requirements before onboarding them into the appropriate service. For example, independents wishing to engage through Vendor Services must meet [Warner Music Group's qualification criteria](#) and pass a thorough compliance evaluation to qualify.

What is the value of Business Services?

Traditional providers offer a 1099 / agent-of-record service for qualified vendors and force everyone else into a conventional W-2 payrolling service. But this solution poorly serves to the large percentage of independent workers who resist W-2 payrolling yet do not qualify as vendors:

- If the provider engages them through an agent-of-record service, their client's risk and regulatory scrutiny increase dramatically.

- If the provider forces them into payrolling, it will likely lead to discontent, talent loss, and unnecessarily high costs.

Business Services is the only solution for independent business owners who do not meet eligibility requirements for engaging as independent vendors, yet are likely to reject the limitations of traditional payrolling. It lets Warner Music Group better serve—and compliantly engage—the most common types of independent businesses, including corporations (C corps and S corps), LLCs, and Partnerships. Through Business Services, MBO even walks independents through the complexities of setting up their own compliant businesses.

Business Services does more than reduce risk and create a better experience for your independents—it also helps control costs. With a mark-up that's up to 70% lower than traditional payroll providers, Business Services can help Warner Music Group **cut overall engagement costs by up to 20%**.

How do I contact MBO Partners?

Contact MBO's Warner Music team at wmg@mbopartners.com.

PROGRAM COSTS

Is there a cost for this program?

MBO applies a fee to the rate you negotiate with the worker. As indicated below, the fee varies based on the service through which each independent professional engages. You may wish to take this fee into consideration when negotiating rates with the independents you engage.

- **Vendor Services.** MBO applies a 2.5% mark-up to the worker's pay rate.
- **Business Services.** MBO applies a 4.5% mark-up to the worker's pay rate.
- **Payroll Services** (standard). MBO applies an 18.5%* mark-up to the worker's pay rate.
- **Payroll Services** (On-Tour contractors). MBO applies an 22.6%** mark-up to the worker's pay rate.

* For standard Payroll Services workers with pay rates under \$30/hour, the mark-up is a 19.5%.

** For standard Payroll Services workers with pay rates under \$30/hour, the mark-up is a 23.6%.

Why are the Vendor Services and Business Services fees so much lower?

Vendor Services and Business Services are intended for professional independents who understand the tax obligations of working independently and factor statutory costs into the rate they negotiate with you. MBO therefore uses an innovative and cost-saving pricing model for these services.

While most providers apply the same mark-up—which includes statutory taxes—even if these taxes are already factored into their negotiated rate, only MBO ensures that Warner Music Group never double-pays these taxes. As introduced above, this results in **cost savings of up to 20%** compared to traditional payroll providers when workers engage through one of these services.

Payroll Services works differently. Most commonly, individuals in Payroll Services are hourly workers who do not factor in these taxes when setting their rate. As such, our Payroll Services mark-up includes appropriate statutory costs.

ENGAGEMENT PROCESS

I need a Non-Employee and recruitment help. What should I do first?

Connect with your HR Generalist to discuss the options. (Is this a true temporary need? Should this person be onboarded through MBO, Robert Half, Millennium Group, etc.?) If the decision is to hire a Non-Employee through MBO, complete a [Non-Employee Request Form](#).

The submitted electronic form will route to the Department Head and the Finance Head for approval, in that order. The recruiter, Eric Di Monte, will then receive the request and connect with you for an intake meeting.

Once I identify new independent workers, how do I refer them to MBO?

When you identify a new in-scope independent professional for a project, connect with your HR Generalist to discuss your options. If the decision is to hire the worker through MBO, complete this [Non-Employee Request Form](#). In doing so:

- Select "Yes" for "Has the resource been identified?"
- Include the worker's name, phone number, and email address.
- Select "Yes" for "Send to MBO."

The submitted electronic form will route first to the Department Head and then to the Finance Head for approval.

What do I do after submitting my request?

[Click here](#) to connect with your HR Generalist to submit a helpdesk ticket on behalf of your new or re-enrolled worker.

Complete a new-hire/new-start request in helpdesk using the "Setup Hires, Transfers, & Departures" tab, and order necessary equipment using the "Request Access, Equipment, & Software" tab. Be sure to do so **immediately**, as IT requires three to four days to complete the set-up process.

How do I check the status of my request after I submit it?

To find out where in the approval chain your request is sitting, contact your HR Generalist.

How do I approve a request?

If you are responsible for approving requests, use SharePoint to do so, following the steps below.

1. [Click here](#).
2. Click on the appropriate pencil in the "Edit" column. (If the pencil is gray, click the open checkbox; then click the "Undo Check Out" button.)
3. On the right-hand side, change the Approval Status from "Pending" to "Approved"; then click the "Save" button.

How long does it take to onboard workers after I refer them to MBO?

Average onboarding time varies by engagement service:

- For workers who engage through **Vendor Services**, typically four to six business days.
- For workers who engage through **Business Services**, typically five to eight business days.
- For workers who engage through **Payroll Services**, typically two to four business days.

These estimates do not factor in the time it takes for the worker to launch and complete the Warner Music Group-required background check. While screenings can take up to five days to complete, they can occur in parallel with other onboarding activities.

Of course, onboarding timing also strongly depends on the worker's responsiveness to MBO's onboarding instructions. MBO provides clear instructions and works closely with each worker to improve responsiveness and accelerate the process as much as possible.

As the independent's manager, you have a part to play as well. We recommend that you stress the importance of completing onboarding steps quickly when you're communicating with an independent worker you intend to engage.

This [Engagement Lifecycle Process Summary](#) includes a closer look at the Warner Music Group / MBO onboarding process.

Are background screenings required?

Yes. All new independents must undergo a background check. MBO coordinates this screening as part of our onboarding process. It is Warner Music Group policy not to allow workers to begin work until the required screening is complete.

Note: If a worker has been an MBO resource or an intern at Warner Music Group within the last 12 months, a background screening is not necessary. In this case, once the case ID has been approved and sent to MBO through an automated email, contact your HR Generalist and have them send an email to wmg@mbopartners.com stating that the worker does not require a background check.

How do I change a current independent's assignment?

[Click here](#) to access the update request form, make the necessary modifications (e.g., Start/End Date, Supervisor, and Account Coding), and click on "Submit." The request then routes for necessary approvals in SharePoint and is sent to MBO for processing.

Note: Only use an update request form for independents **already onboarded through MBO**. For new independents or transfers of existing independents to other projects, use the [Non-Employee Request Form](#) instead.

How do I know if an independent is eligible for expense reimbursement?

Check the approved request form (the .pdf document with the Case ID as its title). If the approved request indicates an amount in the "Expense Budget" field, then the worker is **eligible** for reimbursement.

To make an ineligible worker eligible for expense reimbursement, use the [same form](#) as linked above. Check the "Expense Budget" box and enter an expense budget. (New request forms also request an expense budget.) This instructs MBO to set up the independent's Work Order to allow for billable expense reimbursement.

How do independents enter their time and expenses?

As independents work on their assignments, they submit their time and expenses through their MBO Business Centers. (Instructions for doing so are provided during onboarding.)

Warner Music Group managers must approve these submissions before MBO initiates the payment process.

Note: If you are unsure whether an independent is engaged through MBO, check for their name on the MBO vendor list and check with MBO to confirm that they have an active Work Order. If the worker is on the vendor list but does **not** have an active Work Order, follow the steps below.

1. Open the [Non-Employee Request Form](#).
2. Contact MBO to determine the fee to add to the invoice amount for the PO in Ariba.
3. Create a PO in Ariba for invoices.
 - a. Designate “MBO” and the vendor.
 - b. Add the MBO fee to the invoice amount.
4. Check Ariba to ensure that the PO indicates “Paying.”
5. Instruct the worker to submit their time and expenses through their MBO Business Center. From this point forward, MBO will send invoices to Ariba.

How do I approve time and expense entries?

You'll receive an email notification from MBO each time a worker engaged on your projects submits time, milestones, deliverables, and/or expenses. Simply follow the instructions in the email to execute the approval.

Please be sure to approve all submissions by COB on Monday. Failure to meet this deadline may delay payments.

How do I temporarily assign a new approver of time and expense entries?

Email wmg@mbopartners.com and ask for a temporary modification to the approval flow. Also, be sure to contact wmg@mbopartners.com if you have questions about an independent's potential overtime hours or if you are unable to approve time and expense submissions.

How long does it take for workers to receive their payments?

Payment timing varies by the worker's MBO engagement service.

- **Vendor Services** and **Business Services**

MBO invoices Warner Music Group for all workers' approved time and expense submissions each Tuesday, and Warner Music Group pays MBO based on Net 3 terms. We then pay workers in the next weekly payroll cycle. As such, independents in these services receive their payments 2 weeks after a given work week. See the [Warner Music Group Payment Calendar](#) for details.

- **Payroll Services**

MBO pays Payroll Services workers on Fridays, two weeks after a given work week (or one week if required by state law).

Again, it is very important that you approve your independents' time and expense submissions before the COB on Monday deadline each week.

How do I end the assignment of an independent I no longer need?

Connect with your HR Generalist to explain why you no longer need the independent; then email MBO with the worker's full name and their assignment's new end date.

Also, remind the worker to submit their final timesheet and be sure to approve it in the system.



Can I engage independent workers outside the U.S through MBO?

Yes. MBO is headquartered in the U.S. and has offices in the UK and Ireland. Through these offices and an extensive international partnership network, we can compliantly engage talent in most countries.