

# ITSRIGHT

## REGULATION (\*1)

Adopted by ITSRIGHT Category A Shareholders' Assembly on October 5<sup>th</sup> 2017 according to Art. 2.3. of ITSRIGHT's Statute. Amended by ITSRIGHT' Assembly on October 25<sup>th</sup> 2018, on April 3<sup>rd</sup> 2020, on December 10<sup>th</sup> 2021 and on October 26<sup>th</sup> 2023. Published in its up-to-date version on October 27<sup>th</sup> 2023 on ITSRIGHT's website [www.itsright.it](http://www.itsright.it)

### Article 1 – Definitions

The following terms shall have the meanings set out below.

"Provisions"	means the amount deducted from the Revenues and retained for the purposes indicated in Art. 6.3.
"AIE"	means the individual who has provided his/her own artistic performances to realize Phonograms - including performing artists and musicians as per Art. 82 L.D.A., orchestra's members, artistic producers and any other individual who has provided artistic performances (even if not listed in Art. 82 L.D.A.) - excluding those individuals who, even though they contributed to the Phonograms' realization, did not provide an artistic performance (such as, for example, sound engineers, executive producers, studio engineers and arrangers).
"Not-represented AIE"	means an AIE who has not conferred a Mandate on ITSRIGHT, regardless of whether he/she is represented by a Collective Organization.
"Mandator's Administrator"	means the individual or legal person who - according to a documented contractual relationship with Mandator or with Phonogram Producer or with AIE - operates on their behalf by administering one or more of their Managed Rights. In particular, this definition includes: (i) Collective Organizations; (ii) individuals - who succeeded in AIE's Managed Rights as per inter vivos agreements - other than the company controlled by the AIE as provided for in Art. 2359 of the Italian Civil Code.
"Executive Administrator"	means the executive administrator or the CEO appointed in compliance with the Statute.
"Year of Reference"	means the calendar year in which the Music Exploitation - which generated a Revenue - has taken place, regardless of the moment in which ITSRIGHT has actually collected that Revenue
"Year of Income"	means the calendar year in which a Revenue has been collected by ITSRIGHT, regardless of the corresponding Year of Reference.
"Distribution Board"	means the Board provided for in Art. 14.
"Agreements"	means the agreements stipulated and signed by ITSRIGHT with any third- parties - throughout the Mandate Contract's execution - by virtue of which ITSRIGHT shall collect Revenues from Users.
"Private Copying"	means the fair compensation for the private copying, referred to in Art. 71-septies L.D.A.
"Administration Fee"	means the fee due for services rendered by ITSRIGHT, as mentioned in Mandate Contract.
"Decree no. 35/2017"	indicates Legislative Decree no. 35/2017 (and its successive additions and modifications) which implemented Directive 2014/26/EU "on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market".
"Managed Rights"	indicates the neighbouring rights listed in Art. 2.1. of the Statute.
"Phonogram"	means the first original fixation - of a music recording, or of a musical work, or of a sequence of voices and/or sounds from a performance or execution of other sounds or representations of sounds - published and distributed on any phonographic device (such as, CDs, LPs, DVDs etc.) or made available to the public in a digital form (digital files) online.

*\*1 - This English language version of ITSRIGHT's Regulation shall be intended to facilitate the better comprehension of what the provisions of the Regulation establish in its Italian language version. In case of any doubt and/or any discrepancy between this present English version and the Italian version, the latter shall prevail (available at <https://www.itsright.it/files/documenti/file1/13.pdf>)*

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"Surveys Institute"	indicates a public and/or private company and/or entity – neither controlled nor connected to ITSRIGHT – which professionally carries out analytical surveys on Users' Music Exploitations.
"ITSRIGHT"	means the Italian company ITSRIGHT S.r.l.
"L.D.A."	means the Italian Copyright Law contained in Law 22 April 1941, n. 633 and its relevant amendments.
"Mandator"	means the individual(s) who has/have conferred a Mandate on ITSRIGHT by signing a Mandate Contract or who has/have succeeded in a Mandate Contract, including also their successor(s) in title who has/have conferred a Mandate on ITSRIGHT, according to the provisions of this Regulation.
"Mandate Contract" (also referred to as "Mandate")	means and refers to the Contract stipulated and signed between Mandator and ITSRIGHT for the management of the ManagedRights, as per this Regulation.
"Audio and Video Materials"	indistinctly refers to Phonograms and/or Videograms and/or Playbacks.
"Revenues' Minimum"	indicates the minimum amount of Net Revenues (as determined in Art. 6.4.) allocated in favor of Mandators under the circumstances set forth in Art. 6.4. as a lump sum remuneration for any lack of information provided by Users or resulting from the Surveys' Reports.
"Collective Organization"	means an Italian or foreign Collective Management Organization or an Italian or foreign Independent Management Entity, referred to in Decree no. 35/2017, other than ITSRIGHT.
"Playback"	means an out-of-commerce support containing a Phonogram (or part of a Phonogram) expressly realized to be used during an artist's exhibition, instead of using the whole and complete performance of the artist and/or of the musical background.
"Phonogram Producer"	means the individuals or legal entities referred to in Art. 78 L.D.A. as well as their successors in any title.
"Not-represented Phonogram Producer"	means a Phonogram Producer who has not conferred a Mandate on ITSRIGHT, regardless of whether he/she is represented by a Collective Organization.
"Benefit Projects"	means projects and activities activated by ITSRIGHT in artistic, social, cultural or music educational areas aimed at the pursuing of the purposes of common benefit under art. 2.1 of the Statute.
"Revenues"	means the amounts accrued for any kind of Music Exploitation (including Private Copying and R.A.S.) and collected by ITSRIGHT.
"Net Revenues"	means the Revenues net of Administration Fee and of Provision.
"R.A.S."	means the annual supplementary remuneration referred to in Art. 84-bis L.D.A.
"Surveys Report"	means the document (usually in digital form) elaborated by a Surveys Institute pointing out for each analyzed User: (i) every single Phonogram object of Music Exploitation; (ii) period of time in which Music Exploitations have occurred; (iii) duration in minutes and seconds of each Phonogram's Music Exploitation or (iv) number of Music Exploitations of each Phonogram.
"Regulation"	indicates this present Regulation – and its following additions and modifications – approved by ITSRIGHT's Assembly in conformity with Art. 2.3. of the Statute.
"Website"	means ITSRIGHT's website: <a href="http://www.itsright.it">www.itsright.it</a> .
"Statute"	means the Articles of Association of ITSRIGHT.
"Music Exploitation"	means any kind and form of Phonograms' usage, including R.A.S. and excluding Private Copying; this definition indicates but is not limited to: radio and/or TV broadcasting of Phonograms, public communication and diffusion of Phonograms and the making available to the public of Phonograms with any device and in any way, including any digital distribution of them.

"Users"	means the individuals who carry out a Music Exploitation, considered individually or gathered in accordance with homogeneous kinds of Music Exploitations; with reference to Private Copying, "User" is conventionally referred to as SIAE (Italian Society of Authors & Publishers); with reference to R.A.S., "User" is the Phonogram Producer, legally obliged to pay.
"Videogram"	means the original fixation of a film, or of an audio-visual work, or of a sequence of images (including Video clips) synchronized with one or more Phonograms usually for commercial uses or made available to the public – to be considered different from the Phonogram itself and, thus, separately and independently protected.

In this present Regulation – unless differently and expressly provided for – all references to laws or statutory provisions shall refer and include any and all amendments and modifications of any of its provisions. Headings of articles have been inserted only for practical consultation and, thus, shall not affect this present Regulation's interpretation. Terms in the singular form shall also be intended in a plural sense and vice versa. All articles hereby cited are referred to those of this Regulation, unless otherwise indicated.

### Section I – Conferment and Execution of Mandate Contracts

#### Article 2 – Mandate's Conferment

- 2.1. As indicated in Art. 2.5., ITSRIGHT's Board of Directors shall approve standard models of the Mandate Contract according to different types of Mandators and consistently with the provisions of Decree no. 35/2017. A copy of each of the afore-mentioned standard models in effect shall be published on the Website. Each standard model may be adapted – case by case – to the Mandator's specific conditions or requests, provided what stated in Artt. 2.4., 3.2. and 4.3.
- 2.2. The Mandate shall be deemed conferred on ITSRIGHT without power of representation and – once ITSRIGHT has verified the conditions as per Artt. 2.4. and 3.2. – it shall be countersigned for acceptance by the Executive Administrator.
- 2.3. The Mandate Contract shall take effect from the date of its receipt by ITSRIGHT and shall be deemed with an indefinite duration. Both Parties may withdraw from the Mandate Contract anytime – by means of a registered letter and/or by registered email – respecting a 6 (six) months' notice period. The withdrawal shall take effect from the immediately following December 31st. The standard model of Mandate Contract (adopted in compliance with Art. 2.1.) shall regulate the effects of the above-mentioned withdrawal on the accrued Revenues and on the Provisions made previously to the Mandate Contract's expiration date.
- 2.4. The necessary and sufficient conditions for the Mandate's conferment shall be:
  - a) the fact – properly documented by the applicant as per Art. 3 – that the applicant is an AIE or a Phonogram Producer;
  - b) in AIE's case, the being of age of the applicant; should the AIE be a minor, the corresponding Mandate Contract shall be requested and signed by the person who exercises the AIE's legal representation;

After the above-mentioned conditions have been verified as per Art. 3, ITSRIGHT shall not reject the Mandate's conferment of such applicant.

Mandator's Administrator shall not hold the status of Mandator, except if he/she is himself/herself a Phonogram Producer or an AIE and this, limited to the Phonograms he/she realized or performed.
- 2.5. The types of Mandators and the corresponding standard models of Mandate Contract are referred to the following cases:
  - a) Mandate conferred on by a Phonogram Producer;
  - b) Mandate conferred on by an AIE, as individual;
  - c) Mandate conferred on by AIE's causa mortis successor(s);

- d) Mandate conferred on by a company controlled by an AIE, according to Art. 2359 of the Italian Civil Code.
- 2.6. The Mandate shall be conferred on by individuals and legal entities of any nationality, even if not part of the European Union.
- 2.7. ITSRIGHT may activate adequate procedures for mandates' electronic conferment by means of a specific reserved access data room on the Website or on another specific website, provided the observance and verification of the general conditions set forth in this present Section I.

#### Article 3 – Documentation of Mandator

- 3.1. Along with the Mandate's conferment, Mandator shall communicate to ITSRIGHT and document the existence of Art. 2.4.'s conditions. In particular, the status of AIE or of Phonogram Producer shall be presumed by ITSRIGHT if the applicant supplies ITSRIGHT with, alternatively:
  - a) documentation related to at least one Phonogram performed or realized by the applicant; or
  - b) the proof of the occurred publication – even if only in digital form – of at least 3 (three) Phonograms performed or realized by the applicant; or
  - c) in the Phonogram Producer's case, the proof of the occurred stipulation of a "License Agreement for Phonograms' Reproduction" with SIAE or with another society of authors and publishers; or
  - d) in the AIE's case, the proof of the occurred stipulation of an agreement with a Phonogram Producer for the realization (even if future) of Phonograms.

Anyway, ITSRIGHT may require any further documentation deemed necessary in order to verify Art. 2.4.'s conditions.

Any documents related to and the evidence of the facts mentioned under letters a) and b) above may be replaced by an official declaration rendered by the Mandator pursuant to articles 45 and 46 of the Decree of Italian Republic's President No. 445/2000, accompanied by an identity document of the declarant. In the event of false declaration, save for any other effects provided for by the law, ITSRIGHT shall be free to cease the Mandate and to be refunded of any amount paid to the Mandator in the execution of the Mandate, without prejudice to any further damage.

- 3.2. Mandator shall also provide ITSRIGHT with:
  - if AIE: copy of his/her identity card as well as a copy of his/her tax identification number card (or of an equivalent document);
  - if Phonogram Producer: an up-to-date copy of the historic Company Registration Report (or of an equivalent document, such as the VAT registration certificate).
- 3.3. Should ITSRIGHT detect a lack of Art. 2.4.'s conditions or incompleteness of the documentation as per Artt. 3.1. and 3.2., the Mandate Contract shall not be signed by ITSRIGHT consistently with a justified communication transmitted to the applicant within 90 (ninety) days from the application's receipt.
- 3.4. ITSRIGHT may activate adequate procedures for the electronic documentation of what provided for in this Article 3, by means of a specific reserved access data room on the Website or on another specific website, provided the observance and verification of the general conditions set forth in this present Section I.

#### Article 4 – Mandate's Execution

- 4.1. Once the Mandate's conferment is accepted as per Art. 2.2., Mandator and ITSRIGHT shall be mutually obliged to fulfill the mutual obligations hereby set forth and agreed on and to conform to what is established in this present Regulation (and to its successive amendments and modifications).
- 4.2. ITSRIGHT shall stipulate and execute the Mandate Contract and the Regulation in compliance with criteria of transparency, publicity, equity, impartiality, equal treatment and non- discrimination towards Mandators.

- 4.3. The Administration Fee applied by ITSRIGHT to all its Mandators shall be composed of percentages and amounts which shall be specified in the standard models of Mandate Contract (as adopted per Art. 2.1.). In relation to additional specific activities carried out by or services rendered by ITSRIGHT – on mutual understanding or on a Mandator's request – ITSRIGHT may stipulate the acknowledgment of corresponding amounts or reimbursements of expenses which shall constitute a variation of what provided for in the standard models of Mandate Contract.
- 4.4. Based on a resolution of ITSRIGHT's Board of Directors, the Administration Fee (as per the standard models of Mandate Contract) may be varied, provided that this variation shall identically apply to all Mandators and shall be communicated to them in writing, also by means of email. In such case, Mandator shall be able to withdraw from the Mandate Contract – by means of a registered letter and/or by registered email transmitted within 30 (thirty) days from the above-mentioned variation's communication by ITSRIGHT – with effect from the immediately following January 1st.
- 4.5. In consideration of the Mandate's execution and of all activities provided for in this Regulation and carried out by ITSRIGHT, ITSRIGHT shall be entitled to:
  - a) be paid the Administration Fee by Mandator;
  - b) withhold the financial interests accrued on Revenues in ITSRIGHT's bank accounts from the date of their collection by ITSRIGHT until the date of their individual distribution to each Mandator, according to Section II of this Regulation.

#### Article 5 – Criteria for the negotiation of Agreements – Management of Revenues

- 5.1. ITSRIGHT shall negotiate and stipulate Agreements with the aim of increasing the amount of Revenues; with this same aim, ITSRIGHT shall have the power to enter into transactions with the contracting parties of such Agreements.
- 5.2. The Agreements shall never contain provisions which imply – without expressed and justified reason – discrimination in the treatment of individual Phonogram Producers and/or AIE and/or Mandators, provided the possibility of regulating homogeneous categories of Phonograms in distinct ways (such as, according to the music genres).
- 5.3. ITSRIGHT shall require the above-mentioned Agreements' contracting parties to prepare – whenever possible – and to send an analytical report of occurred Music Exploitations to ITSRIGHT along with any other information which might be useful to facilitate distributions activities as per Section II of the Regulation.
- 5.4. Except for any eventual limitation or exclusion provided for in each Mandate Contract, ITSRIGHT shall also pursue the aim of stipulating and signing reciprocity agreements with other foreign collecting societies (dealing in the Managed Rights' field) for the collection of Revenues, as per Art. 17.
- 5.5. ITSRIGHT shall collect and manage the Revenues according to criteria of diligence; Net Revenues and the incomes arising from their investments (as per Art. 5.7.) shall be kept separate from earnings and expenses of the management activities carried out by ITSRIGHT and shall be deposited in specific, separate and dedicated bank accounts.
- 5.6. Net Revenues and the incomes arising from their investments shall not be used for purposes other than the distribution to right-holders in accordance with Section II of the Regulation, without any prejudice to what provided for in Art. 14.3. of Decree no. 35/2017.
- 5.7. Net Revenues and the incomes arising from their investments shall be invested in the best interests of Mandators, in accordance with the general investment and risk management policy adopted by the competent assembly as per Art. 13 of the Statute. Anyway, the investments - made in the exclusive and best interest of the right-holders - shall ensure the security, quality, liquidity and profitability of the portfolio as a whole and shall also be properly diversified, in order to avoid excessive reliance on any particular asset and accumulations of risks in the portfolio as a whole.

### Section II – Distribution of Revenues

#### Article 6 – General provisions

- 6.1. ITSRIGHT shall record and allot Revenues distinctly for each User and for each Year of Reference; Net Revenues shall be distributed according to Section II of the Regulation.

- 6.2. Acquisition of all information and of any detail concerning each Music Exploitation (as per Art. 9.1.) shall constitute an essential condition for the distribution of Net Revenues by ITSRIGHT in accordance with the Regulation. ITSRIGHT shall make any reasonable effort to collect the above-mentioned information, pursuing the most equitable distribution balanced with the most efficient and less expensive management.
- 6.3. For each Year of Reference, ITSRIGHT shall deduct and retain an amount not exceeding 10% (ten per cent) of the relative Revenues in order to create and maintain the Provision, with the purpose of constituting a general reserve fund for the reconciliation of any dispute that might arise as per Art. 12 and for the eventual recognition of a Revenues' Minimum in compliance with Art. 6.4. and for the Revenues as per Art. 6.12; the gradually deducted amounts not used for the above-mentioned purposes shall be distributed in favor of Mandators and of foreign Collective Organizations (provided for in Art. 17.1.) starting from January 1st of the fourth year following the relative year in which they have been deducted and set aside. In addition to the afore-mentioned Provision and on a reasoned and justified decision taken by ITSRIGHT's Board of Directors, for each Year of Reference ITSRIGHT may deduct and retain an additional amount not exceeding 5% (five per cent) of the Revenues - as a provision - in order to establish additional and specific reserve funds; the Distribution Board shall approve how and when eventual additional set-aside amounts shall be distributed.
- 6.4. In favor of the only right-holders who have conferred Mandate on ITSRIGHT for no less than 12 (twelve) months and who have accrued Net Revenues amounting to less than 300,00 Euro (three hundred Euro) at the end of each financial year, ITSRIGHT shall pay them an amount - as a Revenues' Minimum - consisting of the difference between the Net Revenues actually accrued in the financial year and the above-mentioned amount of 300,00 Euro (three hundred Euro). If an AIE or Phonogram Producer's successor has succeed in the Mandate (or if the Mandate itself has been conferred by successor(s)), the mentioned Revenues' Minimum shall be granted severally to any relevant AIE or Phonogram Producer and ITSRIGHT shall distribute the relevant amount among the mentioned successors in proportion to their own share. The overall amounts of Revenues' Minimum shall be deducted from Provision (as per Art. 6.3.) up to a total maximum amount - for each financial year - of 30% (thirty per cent) of the overall amounts of Provisions available at the time of the closing of the first three-month statement following the financial year; should this threshold be exceeded, the individually paid Revenues' Minimum shall be proportionally reduced for the exceeding part. The amount of individually accrued Revenues' Minimum shall be individually paid along with the first four-month statement (Art. 11) following the end of ITSRIGHT's financial year.
- 6.5. Without prejudice to what provided for in Art. 6.8., ITSRIGHT shall distribute and pay Net Revenues - recorded and allotted in compliance with Art. 6.1. - net of Provision to each Mandator as well as to each Phonogram Producer and each AIE who are represented by a foreign Collective Organization as per Art. 17.1., in conformity with Section II; therefore, Not-represented Phonogram Producers and Not-represented AIEs shall be excluded from such payment. For distribution and payment purposes, the final individuation of each entitled right-holder shall be carried out consistently with the prudential verification procedures of Artt. 6.6. and 6.7.
- 6.6. Should the total amount of Net Revenues be also formed of Revenues which may pertain to Not-represented Phonogram Producers or Not-represented AIE, as per a justified decision Distribution Board shall previously deduct the portion of such Net Revenues to be retained to the purpose of regulating them in their favor. Such deduction aims at prudentially distributing and paying only Net Revenues actually due to Mandators and foreign Collective Organizations mentioned in Art. 17.1. The above-mentioned deducted portion shall be set aside for a limited period of time not exceeding 10 (ten) years, at the expiry of which any residual amounts shall be distributed and paid to Mandators and to Art. 17.1.'s foreign Collective Organizations.
- 6.7. Once Net Revenues concerning each Phonogram are distributed and paid applying the calculation procedures referred to in Artt. 8, 9 and 10, ITSRIGHT shall ensure that Phonogram Producers and AIE - in favor of which ITSRIGHT has distributed and paid Net Revenues - are indeed all represented by ITSRIGHT by virtue of a Mandate or are all represented by foreign Collective Organizations. Should it appear that, the amount of Net Revenues allocated to each Phonogram is - in whole or in part - due



to one or more Not-represented Phonogram Producers or to one or more Not-represented AIE, the corresponding amount shall be set aside and ITSRIGHT shall endeavor to ascertain, reconcile and eventually regulate what is individually due either directly or through the representing foreign Collective Organizations, in compliance with the procedures and understandings ITSRIGHT and foreign Collective Organizations have agreed on. The afore- mentioned reconciliation procedures shall not suspend distribution and payment of Net Revenues' portion owed to Mandators and to foreign Collective Organizations. Distribution Board may deliberate additional and more precise procedures anytime.

- 6.8. In conformity with Section II, ITSRIGHT shall pay Net Revenues – as recorded and allotted per Art. 6 – net of Provision to Mandator's Administrator or – when permitted by the Mandate Contract – to the assignee of Mandator's credits, provided that by means of a specific proxy for collection he/she documents the will of Mandator, or of Phonogram Producer or of AIE to delegate the payment of such Net Revenues in their favor; unless otherwise specified in reciprocity agreements signed with foreign Collective Organizations.
- 6.9. In consistency with the Regulation, ITSRIGHT shall pay Net Revenues to Mandators no later than 9 (nine) months from the relative Year of Income, provided that ITSRIGHT has received all information as per Artt. 6.2. and 7 and upon receipt of the corresponding invoice or of tax documentation required by law. ITSRIGHT shall be entitled to determine extensive and more detailed methods and timing of Net Revenues' payment.
- 6.10. Should the above-mentioned information necessary to allot and distribute according to Artt. 8, 9 and 10 be lacking, Distribution Board may decide to pay advances in proportion to the amounts paid to Mandators for the exact same kind of Music Exploitation in the previous years, notwithstanding in any case the relevant settlement.
- 6.11. ITSRIGHT shall make all payments only in Euro and by means of a bank transfer.
- 6.12. With effect from November 1st 2018, ITSRIGHT shall acknowledge AIE Mandators – who shall turn 80 (eighty) years' old – a one-off amount of € 3.000,00 (three thousand/00) to be distributed to them by way of an extraordinary bonus. Such amount shall be paid to the beneficiaries along with Net Revenues as per Art. 11 on occasion of the first four-month statement prepared and sent by ITSRIGHT after they have turned 80 (eighty) years' old. The above-mentioned amount shall be remitted also to those AIE Mandators who are already 80 (eighty) years' old on November 1st 2018 and shall be paid to them on occasion of the first four-month statement sent by ITSRIGHT after November 1st 2018. Such amounts shall be deemed and paid net of Administration Fee and deducted from the Provisions as per Art. 6.3..

#### Article 7 – Mandatory documentation

- 7.1. According to methods and timing from time to time communicated by ITSRIGHT, each and all Mandators shall be required to provide ITSRIGHT with documentation concerning the Phonograms and/or the Audio and Video Materials on which the Phonogram Producer holds ownership or on which the artistic performances provided by the AIE are fixed.
- 7.2. On ITSRIGHT's request, Mandators may also be asked to supply the evidence based on which they claim they hold rights on the Phonograms as per Art. 7.1.; by way of example and not of limitation, the following documents may be deemed as evidence: a copy of phonographic agreements signed by them, the label copy of Phonograms, a copy of the invoice referred to the artistic performances they provided and any other similar document expressly attesting the participation of AIE and/or of Mandator in the realization of the Phonogram as per Art. 7.1.
- 7.3. Should Mandator differ from an AIE or from a Phonogram Producer - without prejudice to any other obligation provided for in the Mandate Contract or in the Regulation - such Mandator shall attest the title on which he/she succeeded in the ownership of the rights owned by AIE and or by Phonogram Producer, referred to in Art. 7.1.
- 7.4. Should ITSRIGHT have reasonable and motivated doubts about the claims staked by a Mandator – as in the case these claims are opposed by third-parties – ITSRIGHT shall be entitled to suspend and postpone any payment of Net Revenues concerning the disputed Phonogram until the relative

ascertainment is carried out, with all claiming parties fully agreeing, through the procedure as per Art. 12.2. (which exclusively concerns Mandators and ITSRIGHT) or according to an immediately enforceable jurisdictional measure (in all other cases).

- 7.5. The above provisions apply also to Mandator's Administrators, without prejudice to different procedures and computer processes which are internationally adopted in application of the international reciprocity agreements referred to in Art. 17.

#### Article 8 – General criteria of distribution

- 8.1. On the initiative of the Executive Administrator and, where required, upon a compliant decision taken by the Distribution Board - ITSRIGHT shall distribute Net Revenues in conformity with Section II and with the Mandate Contract, applying the following general distribution criteria:
- a) the direct allocation of Net Revenues to the corresponding Phonograms any time the relative Agreements' execution or provisions attest that Net Revenues have been paid by Users in relation to specific Phonograms;
  - b) usage time of each Phonogram or number of the Phonogram's actual uses made by each User as resulting from Surveys Reports as per Art. 9, whenever practicable based on Art. 7's documentation provided to ITSRIGHT;
  - c) those Net Revenues that cannot be allocated applying the criteria of the above-mentioned paragraphs a) and b) – unless the Distribution Board has adopted an alternative criterion as provided for in Art. 9.2. – shall be individually allotted to single Phonograms in direct proportion – for each Year of Reference and distinctly for each kind of Music Exploitation – to Net Revenues distributed according to the afore-mentioned paragraphs a) and b);
  - d) in order to distribute Net Revenues allocated per Phonogram among single Mandators in accordance with the criteria provided for in the previous paragraphs a), b) and c) – Net Revenues shall be first split into a portion of Net Revenues due to Phonogram Producers and a portion due to AIEs, as it follows:
    - d1) Net Revenues relating to the right of reproduction, provided for in Art. 72 par. a) L.D.A. (right of copy), shall be exclusively due to Phonogram Producers;
    - d2) Net Revenues relating to the rights provided for in Artt. 73 and 73-bis L.D.A. shall be split equally between Phonogram Producers and AIEs;
    - d3) With reference to Playbacks, the portion of Net Revenues allocated in relation to the rights provided for in par. d2) is equal to 50% (fifty per cent) of the relative total Net Revenues; the remaining 50 % (fifty per cent) portion is attributed to the Phonogram Producer;
    - d4) With regard to Videograms, the portion of Net Revenues allocated in relation to the rights provided for in par. d2) is equal to 33% (thirty-three per cent) of the relative total Net Revenues; the remaining 67% (sixty-six per cent) portion is attributed to the Phonogram Producer;
    - d5) Net Revenues deriving from R.A.S. shall be exclusively due to the respective Phonograms' AIEs who have accrued such Revenue;
    - d6) any other Net Revenue shall be equally split between Phonogram Producers and AIEs;
    - d7) With reference to further distribution among the single AIEs of each Phonogram, based on a parametric point system according to which the artistic performance provided by the AIE on each respective Phonogram shall be valued with one or more points, as better explained in Art. 10.
- 8.2. Should it be impossible to allocate and distribute a part of Net Revenues as per Art. 8.1. criteria, their allocation and distribution shall be carried out in compliance with other particular criteria - adopted by the Distribution Board - according to the general principles and methods of distribution set out in Section II and to what provided for in Art. 18 of Decree no. 35/2017.
- 8.3. Application and implementation of Net Revenues' distribution criteria (as per Artt. 8, 9 and 10 of the Regulation) shall pursue the most equitable possible distribution.

#### Article 9 – Allotment of Net Revenues per Phonogram

- 9.1. For the purpose of applying the criterion as per Art. 8.1. par. b), ITSRIGHT shall proceed as it follows:



- a) per each User or per homogeneous kinds of Users, Distribution Board shall appoint one or more Surveys Institutes to submit Surveys Reports.
  - b) should the above-mentioned appointment refer to a specific User who has undertaken to submit analytical statements as per Art. 5.3., allotment of Net Revenues per single Phonograms shall be in any case carried out on the basis of the Survey Report; however, should the Survey Report's results differ from the findings of the analytical statements submitted by Users to an extent which exceeds by more than 10 % (ten per cent), ITSRIGHT shall proceed with reconciliation – together with Survey Institute and with User – at the end of which ITSRIGHT might carry out a consequent eventual recalculation.
  - c) should the above-mentioned appointment refer to homogeneous kinds of Users, Distribution Board shall determine which panel of Users is the most suitable for the relative survey and why; for this purpose, Distribution Board may avail itself of public domain market studies or of market studies assigned to independent and well-known research institutes or boards;
  - d) Net Revenues shall be divided by the total number of actual use's minutes, if possible, or by the total number of actual uses made by each User (or by homogeneous kinds of Users) of the Phonograms which generated the same Net Revenues as those resulting from the corresponding Surveys Reports;
  - e) the above-mentioned amount per minute or per single use shall be multiplied by the number of minutes (or fractions of a minute) of actual use or by the number of actual uses of each Phonogram; the resulting amount shall be distributed among Phonogram Producer – right-owner in the Phonogram (in conformity with Art. 8 criteria) – and AIEs who have contributed with their artistic performances to such Phonogram's realization (in conformity with Art. 10 criteria).
- 9.2. Should the application of Art. 9.1.'s procedures be impossible or gravely uneconomic, with reference to specific Users or to specific kinds of Music Exploitation and according to the information and documentation available, Distribution Board shall identify and determine, from time to time, a fair and reasonable criterion – based also on such criterion's cost of implementation – of allotment of Net Revenues per single Phonogram to ensure as much coherence as with what provided for in Art. 9.1.
- 9.3. The allotment per Phonogram of the portion of Net Revenues deriving from Private Copying shall be made on the basis of a Distribution Board's specific resolution, taking also into account the criteria S.I.A.E. applies to the so-called primary general distribution of Private Copying revenues it collects as well as the corresponding documentation acquired by ITSRIGHT at S.I.A.E.

#### Article 10 – Calculation of the single AIE's share

- 10.1. For the purpose of applying the criterion as per Art. 8.1. par. d7), ITSRIGHT shall base its procedure on the following point system:

CATEGORY	POINTS
a) main and featured artists, members of musical or orchestral groups, as per Art. 82 L.D.A.	5
b) conductors of orchestra and/or of choir, as per Art. 82 L.D.A.	3
c) members of orchestra, musicians, artistic producers and any other non-featured artist, not provided for in Art. 82 L.D.A.	1

- 10.2. It is clearly stated that – Net Revenues allotted per single Phonogram to the individuals listed in Art. 10.1. par. c) – shall never exceed the 50% (fifty per cent) of the total amount of Net Revenues allocated to the same Phonogram and shall be split equally among those individuals.

- 10.3. Individuals listed in Art. 10.1. par. c) – who have provided their artistic performances by interpreting more roles within the same Phonogram – shall not be counted for more than 3 (three) times for the purpose of determining the share as per Art. 10.1.

Article 11 – Four-month statements – Advances on Net Revenues – Payments

- 11.1. In consideration of the extraordinary emergency situation caused by the COVID-19 pandemic, starting from the year 2020, ITSRIGHT shall carry out four-month payments of Net Revenues (calculated as per Artt. 8, 9 and 10) within April, August and December. For this purpose, ITSRIGHT:
- a) shall prepare the individual statements in due time, which shall indicate the allocation and distribution criteria – from time to time – adopted by ITSRIGHT as well as the amount due to Mandator;
  - b) shall send the individual statements to each Mandator's address (the one indicated in the Mandate Contract) within 60 (sixty) days from the end of each quarter – provided that, according to one or more quarterly statements, Mandator is entitled to payment of an amount equal to or higher than the minimum threshold of 12,00 € (twelve Euro) before Provision and Administration Fee are applied; should the amount due to Mandator be lower than the minimum threshold of 12,00 € (twelve Euro), ITSRIGHT shall send to such Mandator an accounting balance document evidencing the sums accrued by him/her/it in his/her/its name and not yet distributed to him/her/it. Such sums shall gradually accumulate with additional sums gradually accrued in successive four-month period and shall be distributed in the four-month period the above-mentioned minimum threshold is exceeded.
  - c) Should ITSRIGHT, on the 31st December of each year, find out that certain amounts, though duly reported on the relative statement(s), have not been requested for payment by the Mandator, ITSRIGHT shall send a specific reminder to the Mandator for the collection of the above-mentioned sums within a strict deadline of three years starting from the receipt of such reminder; such reminder shall be delivered to the address indicated in the Mandate, either by registered letter with return receipt, or by certified email (PEC), and shall include the statement concerning the last four-month period of the reference year.
  - d) shall pay each Mandator his/her/its total amount due as per the four-month statement(s) – by means of a transfer into the bank account (indicated to ITSRIGHT by the Mandator) – within 30 (thirty) days from the receipt of the relative invoice or of other fiscal document the Mandator has prepared and sent to ITSRIGHT according to what stated in each corresponding statement (even if it/they has/have been contested).
- 11.2. Any bank charges incurred by ITSRIGHT may be charged to Mandator. Likewise, any tax or social security contribution (however named) – established by national or foreign laws and applicable to Revenues – shall be charged to Mandator.
- 11.3. ITSRIGHT shall be always entitled to rectify the statements it has sent in the preceding 5 (five) years and to claim back any amount paid but not owed as well as to compensate such amount with further amounts accrued by Mandator.
- 11.4. In the case of advances on Net Revenues as per Art. 6.7., the corresponding positive or negative balance adjustment shall be made by ITSRIGHT with compensation of any amount due to Mandator for any reason. In the case of negative balance adjustment, ITSRIGHT shall provide Mandator with a specific accounting balance document attesting Mandator's up-to-date debts.
- 11.5. Without prejudice to what provided for in Art. 12, each Mandator shall have the power to ask ITSRIGHT for further clarification or insight on the content of the statements and accounting balance documents he/she/it has received; the relating details shall be documented and communicated to the interested party by adequate electronic documentation available by means of a specific reserved access (requiring a password) data room on Website which shall contain all Art. 11.1.'s statements and Art. 11.4.'s accounting balance documents.

Article 12 – Claim of the statements

- 12.1. By means of a registered letter and/or by registered email transmitted to ITSRIGHT within February 28th of each year, each Mandator shall be entitled to make a claim against one or more statements - referred to the previous calendar year for incorrect application of provisions and allocation and distribution criteria set out in Section II - by stating the reasons and by providing any supporting documentation. A claim staked by Mandator shall not suspend payments in favor of other Mandators.

- 12.2. Should the above-mentioned claim be not successfully settled within the following 60 (sixty) days from the registered letter and/or registered email's receipt as per Art. 12.1., a third arbitrator – coming from an independent auditing firm – shall be appointed by mutual agreement of the parties or, in case of disagreement, by the President of the Court of Milan. The designated arbitrator shall deliver his/her determination by a written report to be sent to the parties within 90 (ninety) days from his/her acceptance of the such appointment. Such determination shall be pronounced on an equitable basis, consistently with Art. 1349 of the Italian Civil Code. Third arbitrator's expenses and fees shall be charged to ITSRIGHT only if the arbitrator attests that the amounts actually due to the interested Mandator are 10 % (ten per cent) higher than those resulting from the contested statements.
- 12.3. The arbitrator's determination – if objected – may be appealed against before the arbitration panel provided for in Mandate Contract.

#### Article 13 – Non-distributable Net Revenues – Revenues not collected by the Mandator

- 13.1. Provided that ITSRIGHT shall make every possible endeavor, as per Art. 18.2. of Decree no. 35/2017, part of the Net Revenues due to AIEs orto Phonogram Producers who cannot be identified shall be retained and set aside in a specific reserve in the interest of potential right-holders – for a period of 5 (five) years from December 31st of the year of their collection by ITSRIGHT.
- 13.2. Within 90 (ninety) days from the term provided for in Art. 6.9., ITSRIGHT shall make available the information (as per Art. 18.2. of Decree no. 35/2017) – concerning the Phonograms on which one or more right-holder(s) has/have not been identified or located – to any AIE or Phonogram Producer or Italian and/or foreign collective management organization on a specific reserved access (requiring a password) area on the Website.
- 13.3. Within 1 (one) year from the term provided for in Art. 13.2., ITSRIGHT shall make available to the public the same above-mentioned information on a specific free access area on the Website.
- 13.4. Once the formalities (as per Artt. 13.2. and 13.3.) are complied with and the period of 5 (five) years (as per Art. 13.1.) has expired, part of the Net Revenues as per Art. 13.1. shall be deemed non- distributable, and thus destined for the purposes mentioned in Art. 16 in conformity with a DistributionBoard's justified decision.
- 13.5. The portion of Net Revenues, duly reported to the AIE or to Phonogram Producers and which, in spite of the reminder sent by ITSRIGHT for the specific purpose according to the terms of Art. 11.1, lett. c), cannot be paid to the same for whatever reason (including the case invoices and/or equivalent fiscal documents are missing) shall be definitely considered as non-collectable by the relevant Mandators after the limitation period of 3 years starting from the receipt of a reminder as per Art. 11.1, lett. c).
- 13.6. Subject to fulfillment of the formalities as per Art. 11.1, lett. c) and expiry of the period of three years as per Art. 13.5, the portion of Net Revenues as per Art. 13.5 shall be allocated, within the subsequent 60 days, as follows: 80% as increase of the Provisions as per Art. 6.3, 10% for the activities as per Art. 16 and the remaining 10% for the same purposes as per Art. 15.2

#### Article 14 – Distribution Board

- 14.1. ITSRIGHT shall set up a Distribution Board composed of the Supervisory Body (provided for in Art. 18 of the Statute) and of 2 (two) members appointed by ITSRIGHT's Board of Directors. Distribution Board's members shall hold their appointment for 3 (three) years and shall be eligible again. Such appointment shall be deemed free of charge, except for refund of expenses.
- 14.2. Distribution Board shall meet whenever necessary to implement the Regulation's provisions, as well as, in any event, at least once a year at ITSRIGHT's registered office upon convocation of the Distribution Board's Chairman – who shall be appointed among the Supervisory Body's members by the Distribution Board and shall have the casting vote in the event of parity of votes – or upon convocation of one or more Distribution Board's members to deliberate upon the matters of their competence according to the Regulation. Such Chairman shall be assisted by a secretary he/she will appoint – even if not among Distribution Board's members – to draft the minutes.
- 14.3. Distribution Board's deliberations shall be recorded in minutes signed by the Chairman and the secretary; a copy of the minutes shall be forwarded to the Executive Administrator who shall ensure its execution.

#### Article 15 – Distribution of incomes arising from investments

- 15.1. Incomes arising from the investments made according to Art. 5.7. and accrued in each financial year shall be recorded and specifically highlighted in ITSRIGHT's balance sheet, with evidence of which

incomes' portions have actually been collected by ITSRIGHT during the financial year.

- 15.2. The total amount of the above-mentioned actually collected incomes shall be devolved a half to the rest home for musicians "Giuseppe Verdi" of Milan and a half in favor of a maximum of two further beneficiaries to be yearly identified by the Boards of Directors among entities, foundations, associations, private or public companies, based in the European Union, active in social, cultural, music educational or promotion of the Italian music abroad areas, including Benefit Projects.

Article 16 – Contribution to social, cultural or educational purposes

- 16.1. With deliberation of ITSRIGHT's Board of Directors and on motivated proposal of Distribution Board, ITSRIGHT shall be entitled to deduct from Net Revenues an amount not exceeding 1 % (one per cent) of each Year of Reference's total Revenues in order to finance social, cultural or educational purposes of the fund provided for in Art. 16.2.
- 16.2. Within December 31st of the year following the one in which the amounts have been set aside, such amounts as per Art. 16.1. (possibly incremented with those arising from Art. 13.4.'s application) shall be deposited in a specific restricted fund in favor of private or public entities, foundations, associations of musical character which shall be annually identified by Distribution Board; such fund shall be exclusively destined to musical social, cultural or educational purposes.
- 16.3. Distribution Board's relating deliberations shall be forwarded to ITSRIGHT's Board of Directors and shall be published in an appropriately reserved area on the Website.

Article 17 – Relations with Foreign Collective Organizations

- 17.1. Section II's provisions shall apply also to the distribution of the Revenues collected by ITSRIGHT in favor of foreign Phonogram Producers and AIEs, without prejudice to possible reciprocity agreements signed between ITSRIGHT and foreign Collective Organizations for the management of their respective Phonogram Producers and AIEs.
- 17.2. Revenues collected by ITSRIGHT – in compliance with reciprocity agreements signed with foreign Collective Organizations – referred to Music Exploitations occurred abroad and due to Mandators shall be distributed according to the information provided by the respective foreign organizations in relation to the actual declared and documented use of Phonograms. Should the Revenues' allocation per each Phonogram or per single Mandator be impossible according to the information provided by the above-mentioned organizations, Distribution Board shall define a fair and reasonable distribution criterion for such Revenues.
- 17.3. Consistently with what stated in Artt. 20, 21 and 25 of Decree no. 35/2017, ITSRIGHT shall follow criteria of transparency, publicity, equity, impartiality, equal treatment and non-discrimination towards the above-mentioned foreign Collective Organizations, with particular reference to repertoire, tariffs and contractual terms of the signed agreements.

Section III – Miscellaneous

Article 18 – Publicity of the Regulation and of legally required information

- 18.1. This present Regulation shall be published and made available on the Website – within 5 (five) days from the date of its approval as per Art. 2.3. of the Statute – and shall constitute an integral part of the provisions contained in the single Mandate Contracts.
- 18.2. ITSRIGHT shall also publish and keep up-to-date the information provided for in Art. 26 of Decree no. 35/2017.

Article 19 – Access to the information as per Art. 27 of Decree no. 35/2017

- 19.1. In a specific Website's area or on another specifically dedicated website, ITSRIGHT shall allow and grant a restricted access (requiring username and password) to the information provided for in Art. 27 of Decree no. 35/2017 to individuals as per the above-mentioned Art. 27 upon written requests, submitted also by means of email.
- 19.2. Such access shall grant only consultation and sight of the contained documents, excluding any possibility of extracting copies.

Article 20 – Effectiveness of the Regulation – Publication of the previous versions of the Regulation

- 20.1. With effect from October 26<sup>th</sup> 2023, this present Regulation shall annul and replace – to all effects and purposes – the General Regulation adopted on December 10<sup>th</sup> 2021.

- 20.2. Within 60 days from the entry into force of this present Regulation, ITSRIGHT shall publish - in a dedicate area of ITSRIGHT Website - the previous versions of the regulations providing for the conferment and execution of mandates as well as for the rules applicable to the distribution.