

INTERNAL REGULATION PROCEDURES CONCERNING THE MANDATE AND THE DISTRIBUTION OF ROYALTIES¹

Article 1 – Definitions

LDA: (Legge sul Diritto d'Autore): means the Law of 22 April 1941, n. 633 and subsequent integrations and amendments²;

AIE (Artisti Interpreti ed Esecutori): means association of performing artists or primary and supporting executors of Phonograms as defined by Article 82 LDA;

Musical base: indicates the material support of a Phonogram (not made available or already published) owned by the Principal in any format (analogue and/or digital), not available on the market but which can only be found from the Principal holder of the related rights, containing the original recording or reworking of such Phonogram (with only the instrumental or inclusive base of the vocal interpretation of the artist), used to accompany and improve the vocal interpretation of an AIE in replacing, in whole or in part, the artist's interpretation and/or musical accompaniment;

Private Copying: indicates the remuneration for private copying according to article 71 octies of the LDA;

Fees: indicates the license fee in favour of the company according to article 4 of the Regulation;

Phonogram: indicates any fixation or the original sound recording of the execution of a musical work or a sequence of sounds and/or voices, on any phonographic support, known today or invented in the future, published by the Principals and regularly placed on the market by them;

Principals: indicates the holders of the original or derivative rights for use of Phonograms provided for in Articles 72, 73 and 73bis LDA, which have granted or grant in the future to the SCF, directly or through other collective management organisations a mandate for the management and the exercise of the same rights;

Mandate: the contract of mandate according to art. 1705 of the Italian Civil Code granted by the Principal to the company for the management of one or more of the rights referred to in art. 4 of the company Articles of Associations;

Average percentage of the Proceeds from Rights: the ratio between the proceeds of the rights accrued from each Principal and the proceeds of the rights accrued overall from all the Principals;

Phonographic Producers: means the individuals referred to in article 78 LDA as well as their successors in title, holders of original or derivative rights.

Proceeds from Rights: means the amount of revenue collected by the company on behalf of its Principals for the management of the rights referred to in article 4.1 of the Articles of Associations of the company;

Net Proceeds: indicate the Proceeds of Rights net of the Fee;

Company: SCF S.r.l.;

Digital uses: means the communication and/or the making available of Phonograms through the Internet network in simulcasting mode, webcasting or non-interactive streaming;

Primary uses: it is understood to include any use of Phonograms in relation to which income matures from rights related to copyright in accordance with art. 72 LDA, as managed by the Company according to art. 4 of the company Articles of Associations;

Secondary uses: it is understood to include any use of Phonograms in relation to which income matures from rights related to copyright in accordance with art. 73 and 73 bis LDA;

Videoclip: indicates any sequence of images in motion - considered in its specific individuality and therefore protected separately and independently with respect to any Phonogram, even when the latter

¹ In case of doubt or differences of interpretation between the Italian and the English version of this Regulation Procedures, the Italian version shall prevail.

² The Italian Copyright Law.

has been synchronized with the Videoclip images - synchronized with a musical recording fixed in any video graphic support now known or invented in the future, made by phonographic producers for any purpose of economic exploitation, intended to visually depict a musical work.

Article 2 - General provisions

2.1 This regulation (hereinafter referred to as the "Regulation") was drawn up with reference to what is provided for in the Directive 2014/26/EU on collective management of copyright and related rights.

2.2 This Regulation governs the mandate of the Company on behalf of holders of rights and establishes times, terms and conditions for the allocation of net income to the Principals of the Company.

2.3 The Regulation is drawn up, approved and/or amended by the Board of Directors of the Company in accordance with article 5.1 of SCF Articles of Association.

2.4 The Regulation has been published on the Company's website.

2.5 The provisions of the Regulation relating to the definitive allocation of net income have effect with reference to the Net Income of the years 2021 and following.

Article 3 – Granting of the Mandate

3.1 The Board of Directors of the Company adopts the standard models of Mandate and shall have them published on the company website.

3.2 The Mandate, against payment, is granted to the Company without representation and on a non-exclusive basis.

3.3 The Mandate is given for an indefinite period.

3.4 The necessary and sufficient conditions for the granting of the mandate are the following:

- Ownership, possibly on the basis of an agreement for the implementation of the same, of one or more of the rights referred to in article 4 of the Articles of Associations of the company;
- Not be, at the time of the granting of the Mandate, definitively condemned, even in the case of application of the penalty at the request of the parties' ex article. 441 and following of the Italian Code of Criminal Procedure (or similar foundation), for one of the offences referred to in Articles 171 LDA, and in any case for a crime consisting in violation of the rules of protection of copyright or related rights, as well as for one of the offenses referred to in Legislative Decree no. 231 of 9 June 2001. With reference to legal persons, this requirement must first of all apply to its administrators;
- the unconditional acceptance of the Articles of Associations, of this Regulation and of the Company Code of Ethics.

3.5 The request for granting the Mandate, which must be signed by the individual entity or body's legal representative must be accompanied by the documents referred to in Appendix A.

If the Company detects the absence of the requirements referred to in art. 3.4 i.e. the incompleteness of the documentation referred to in art. 3.5, the Mandate may not be subscribed to by SCF which will give a reasoned communication to the applicant within 60 days of receipt of the request.

3.6 The Mandate is given to each Principal's entire repertoire, and to all the rights indicated in article 4 of the company Articles of Associations and to the territory of the entire world, except that the Principal has not limited the activity of SCF to part of its repertoire or part of its rights or to some countries by giving a written communication also not justified to the company by means of a registered letter with acknowledgment of receipt at the same time as granting the Mandate or subsequently. If the communication of the limitation is subsequent to the conferment of the Mandate and is sent by 31 August, it shall take effect from 1 January of the year following that in progress at the time of sending; on the other hand, in the case in which the communication is sent at a later date, the limitation takes effect from 1 January of the year following the calendar year, following that in progress at the time of submission.

If, following the declaration of limitation, there is no residual repertoire or rights to manage in accordance with the Principal's limitations, the declaration shall amount to withdrawal.

Article 4 - Fee

4.1 The fee applied by the Company to all Principals is equal to 3% of the fees collected by the Company on behalf of the Principals for private copying rights, 15% of the fees collected for neighbouring rights relating to the so-called Broadcasting and Web usage, 17% of the fees collected for neighbouring rights relating to the so-called Public Performance usage, and 10% for the fees collected through foreign collective management organizations.

With reference to private copying rights, in addition to the said corresponding amount the integral reimbursement shall be owed by the Principal for possible SIAE fees, including those relating to the personal fees.

Article 5 - Obligations of the Principal

5.1 The Principal expressly guarantees that it is the full owner of rights contained in the Mandate granted to the Company, obliging to keep the same unscathed and free from any damage or detrimental consequence that should arise by reason of failure of the ownership of the repertoire by the principal or by the falsity or incompleteness of the information provided.

5.2 The Principal also undertakes to promptly provide the company with the necessary means and information for the execution of the Mandate, for example, the list of brands with indication of the date of start of ownership of each and the insertion in *katalegale* of its complete repertoire of all required data. The Principal undertakes also to promptly communicate to the company any updating of the data and of the information previously indicated.

Article 6 - Execution of the Mandate

6.1 The Company shall draw up and execute the Mandate making sure the transparency criteria, publicity and fairness, impartiality, equal treatment and non-discrimination be applied in respect of clients.

6.2 The Company will negotiate and will draw up contracts with users of the repertoire pursuing the objective of increasing the amount of remuneration received by the Company. For this purpose, the company will also have the right to draw up transactions with contracting parties of the said contracts that seem to be functional for the pursuit of the said objective.

Article 7 - Access to documents and contracts

7.1 The Principals shall have the right to examine, at the headquarters of the Company, the contracts signed by the Company with the users of the repertoire managed on their behalf, remaining excluded the right to make copies. It is also forbidden for Principals to disclose the content of such documents to third parties.

Article 8 – Revocation of the mandate

8.1 The Principal can revoke the mandate by a notice sent compulsorily by registered letter with acknowledgment of receipt addressed to the Chairman of the Board of Directors of the Company, with the express exclusion of tacit withdrawal.

Withdrawal is carried out at the moment of the receipt of the said communication by the addressee.

8.2 The revocation notice sent by 31 August, has effect from 1 January of the year following that in progress at the time of transmission; whereas in the case where the communication is sent at a later date to August 31, the revocation is effective from 1st January of the following calendar year, after the current one at the time of sending, except what provided for in article 8.3.

8.3 In the presence of a serious breach of SCF obligations of collection and distribution of the royalties subject of the mandate, revocation has immediate effect.

Article 9 - Withdrawal of the Company

9.1 The Company can withdraw the Mandate with a notice sent by registered letter with acknowledgment of receipt addressed to the Principal.

The withdrawal is carried out at the moment of receipt of the notice by the Principal.

9.2 The revocation notice sent by 31 August, takes effect as from 1 January of the year following that in progress at the time of transmission; whereas in the case where the communication is sent at a later date to August 31, the revocation is effective from 1st January of the following calendar year, after the current one at the time of sending, except what provided for in article 9.3.

9.3 In the presence of a just cause, among which:

- i) The failure to comply with the obligation of payment of sums in any way owed by the Principal, including the Fee referred to in art. 4 of this Regulation Procedures, as well as the failure of one or more of the obligations provided for in art. 5;
 - ii) The condemnation of the Principal (and/or its legal representatives), with definitive judgment, even in the case of application of the penalty at the request of the parties, ex article 441 and following of the Italian Code of Criminal Procedure (or similar legal text), for one or more of the offences referred to in Articles 171 and following LDA, and in any case, for a serious offence that is connected to the violation of the rules of protection of copyright;
- the withdrawal has immediate effect.

Article 10 – Termination of the mandate and policy of contracts signed with third-party users. Liquidation of the balance

10.1 Both in the case of revocation of the Mandate and that of withdrawal, contracts finalised by the Company with third party users before the termination of the Mandate, will cease to have effect for the Principal at the time when revocation or withdrawal has effect.

10.2 The royalties earned during the period of validity of the Mandate, but received by the company subsequently to revocation or withdrawal, will be allocated to the Principal periodically according to general regulations. The Principal will remain therefore obliged to pay the corresponding Fee up to the total liquidation of the relevant sums.

Article 11 - Allocation of the proceeds from rights between Phonographic Producers and AIE

11.1 For the purposes of this Regulation, the proceeds of the rights are allocated as follows between Phonographic Producers and AIE:

- Primary uses mentioned in article 72 LDA: 100% in favour of Phonographic Producers
- Secondary uses mentioned in articles 73 and 73bis LDA: 50% in favour of Phonographic Producers; 50% in favour of AIE
- Private Copying: 50% in favour of Phonographic Producers; 50% in favour of AIE
- Digital uses: 87.75% in favour of Phonographic Producers; 12.25% in favour of AIE
- Secondary uses of Musical Bases: 75% in favour of Phonographic Producers; 25% in favour of AIE
- Secondary uses of Videoclips: 83.34% in favour of the Phonographic Producers; 16,66% in favour of AIE.

Article 12 - Distribution criteria

12.1 The proceeds of the rights are attributed to each Principal on the basis of the actual use of Phonograms pertaining to each of them carried out during the period of reference, as resulting from the appropriate analytical reports³ provided by each user or obtained by the Company directly or through third party companies, without prejudice to the respect of the balance between the analytic management of rights and the cost-effectiveness of their management.

12.2 In the lack of analytical reports referred to in art. 12.1, the criteria listed below shall apply to income allocation of the Rights deriving from Primary and Secondary uses, divided for the different categories of users as set out in the statements that the Company sends to those entitled to such

³ Track-based reports

allocation, as established by the Board of Directors of the Company on the basis of the guidelines approved by the General Meeting:

- **Broadcasting:**
 - National TV: 100% analytical value of the category of National TV users, separately for each type of media (e.g. Phonograms, Videoclips, Musical Bases);
 - Local TV: 100% analytical value of the category of National TV users, separately for each type of media (e.g. Phonograms, Videoclips, Musical Bases);
 - Satellite, Music and Digital TV: 100% analytical value of the category of National, Satellite, Music and Digital TV users, separately for each type of media (e.g. Phonograms, Videoclips, Musical Bases);
 - National Radio: 100% analytical value of the category of National Radio users;
 - Other radio stations: 100% analytical value of the category of users Radio.
- **New Media:** 100% analytical value of the category of Broadcasting users, for the same type of media (e.g. Phonograms, Videoclips, Musical bases).
- **Public Performance:**
 - Commercial and public establishments: in proportion to the analytical reports of the music transmission sources declared by users for each year of competence;
 - Music provider: in proportion to the analytical reports of the music providers for the same business segments if represented to a significant extent; in the alternative, 100% analytical value of the music provider category as a whole;
 - Accommodation facilities: 100% analytical value of the TV user category;
 - Discos and Disco Pubs: proportionally to a sample of dance music rankings that will be identified by SCF and approved by SCF Board of Directors;
 - Events: for 70% in proportion to the total value of the categories of users Discos, Disco Pubs and Public Establishments and for the remaining 30% in proportion to the DRM¹.
 - Other Public Performance: proportionally to the total value of all other categories of Public Performance.

12.3 The Company carries out or has third parties to carry out surveys and market research in order to find the data necessary to evaluate the effectiveness of the non-analytical criteria indicated in the previous art. 12.2 and any integration or replacement of the same for subsequent years of competence with any other criteria identified.

12.4 Without prejudice to the rights of the Company for establishing a new allocation criterion, the proceeds of the rights arising from Private copying are attributed to each Principal based on the criteria applied at source from SIAE² for the distribution of the same between the collective management organisations representing the right-holders.

Article 13 – Reserves

13.1 This Regulation establishes a guarantee fund against risks connected to the payment of the compensation due to the Phonographic Producers. This guarantee fund, although funded with reference only to the compensation due to the Phonographic Producers, is aimed at covering any possible risk connected to the payment of the compensation for Primary Uses, Secondary Uses and Private Copying due to all the entitled parties, Principals and third parties.

It includes all the risk funds connected to the payment of the compensation due to the entitled parties, Principals and third parties, present on the date of implementation of this Regulation. The Board of Directors, upon indication of the General Manager, will decide on the possible setting aside of further amounts, if deemed necessary, as well as on the possible release of the amounts deemed to be in excess.

13.2 If the amounts due to the rightholders cannot be distributed, after three years from the end of the financial year in which the Rights Revenue was collected and provided that the Company has taken all necessary measures to identify and locate the rightholders as indicated in Directive 2014/26/EU in art. 13 paragraph 3, these amounts cannot be allocated.

⁴DRM: Diritto di Riproduzione Meccanica, i.e. mechanical royalties.

⁵SIAE: The Italian Copyright Society representing Authors and Publishers.

The Shareholders' Meeting decides on the use of not allocated amounts pursuant to Article 8, paragraph 5, letter b) of Directive 2014/26/EU, without prejudice to any rights of the rightholders on such amounts in accordance with the applicable legislation.

13.3 The Rights Revenue deriving from the use of Phonograms for which more than one Principal has claimed ownership (so-called double claims) will be set aside in a special fund until the dispute is resolved. In the event of failure to resolve the dispute, after three years from its occurrence, such proceeds will be considered non-distributable.

Article 14 - Statements and advances

14.1 The remuneration collected by the Company are distributed to eligible parties by the Managing Director or by the Chief Executive Officer in accordance with distribution regulations.

14.2 Except with reference to the Rights of Private Copying, the Company undertakes to carry out the distribution of Net Income to Principals, for them and their assignors, and send the relevant report within a period of nine months from the end of the financial year in which Proceeds of Rights were received, except for related prohibited conditions, in particular with reference to obligations of communication by the users, identification of the rights of the holders of the rights or to the connection information on works and other protected materials with the corresponding rights holders, which prevent the Company from observing this time limit.

14.3 As regards to Private Copying Rights, the Company undertakes to carry out the distribution of the Proceeds of the Rights to the Principals, for them and their lessors, and sending the relevant report within a period of nine months from the end of the financial year in which Proceeds of Rights were received, except for related prohibited conditions relating in particular to obligations of communication on the part of users, to the identification of the rights of the holders of the rights or to the connection information on works and other protected materials with the corresponding rights holders, which prevent the company from observing this time limit. The Fee applied by the Company in accordance with article 4 will be invoiced and withheld from payment of the Proceeds from Private Copying Rights.

14.4 Regarding the sums received by the Company but not yet distributable for lack of necessary information in the face of a specific written request of the Principal, the Board of Directors may decide to account allocations on a quarterly basis (March, June, September and December). Accounts are recognised for an amount equal to 70 % of the average percentage from the definitive duties allocated in three years, the most recently available to the Principal making the request for account and completely issuing all accounting documents (invoices and credit notes). This percentage shall be raised to 100% for those Principals that require it and which are not debtors of the Company, for effect of accounts received in excess of the actual eligibility for a period exceeding three months over the last twelve months. Accounts recognised, delivered or compensated in accordance with article 15.1 will be recovered on the proceeds of the rights matured definitively; in the event that accounts recognised are greater than proceeds matured definitively, these shall be withheld on proceeds subsequently distributed, both on account and definitively.

14.5 The Principal has the right to contest the related findings of the statement (indicating the reasons and providing any supporting documentation) by registered letter with acknowledgment of receipt addressed to the General Director of the Company to be sent within 90 days from the receipt of the statement. The contestation of the statement on the part of a Principal naturally cannot suspend the distribution of allocations in favour of other Principals.

Article 15 - Payments

15.1 The Company, with the Statement of Net Income sent to the Principals and prior to receipt of the invoice, compensates for all entries of consignments of give and take with credit balances not

contested on bank accounts individually opened by the Principals, whose details and changes must be communicated to the company at the Principals' expense.

Art. 16 - Complaint procedure

16.1 Any complaints relating, in particular, to the authorisation to manage rights, to the conditions of adhesion, to the collection of amounts due to rights holders, deductions and distributions shall be communicated to the Company (indicating the reasons and providing any documentation of support) with registered letter addressed to the General Manager of the Company, to be sent within 90 days from the receipt of the document object of dispute or from the occurrence of the act or object of dispute.

16.2 The Company will respond in writing to complaints within 45 days of receipt, providing the necessary clarifications and, if necessary, taking appropriate measures to stop the reasons for the grievance. If a complaint is considered unfounded, adequate justification will be provided, unless it is clearly unfounded or instrumental.

17 Resolution of disputes between Principals about the allocation of fees deriving from the use of Phonograms (so-called Double Claims)

17.1 With regard to disputes arising between Principals regarding the attribution of fees deriving from the use of Phonograms or Videoclips for which several Principals have claimed the rights, hereinafter "Double Claims", each Principal may directly seek a resolution on the Company's digital platform CD Katalegale (hereinafter "Katalegale"), through the appropriate section "Playlist double claims" by sending to the other Principal(s) in dispute with proposals for the allocation of compensation exclusively or pro rata (so-called "Split"). The acceptance of these proposals will be made directly in Katalegale and will determine the resolution of the Double Claim.

The Company will communicate at least once a year in writing to all Conflicting Principals (by email) the deadline for the resolution of Double Claims through the appropriate section of Katalegale.

For double claims still pending after the aforementioned deadline, for which a resolution proposal has been forwarded that has not been answered, the Principal(s) who has/have received this proposal are granted a period of further 15 days to be able to refuse it.

If the Principal (s) who has/have received the assignment request exclusively or from Split does not reject it/refuse it within the aforementioned term of 15 days, his silence will be equivalent to full acceptance and the Double Claim will be resolved in favour of the Principal requesting the attribution or the Split.

17.2 In the event that it has not been possible to resolve the Double Claims regarding the allocation of remuneration deriving from the use of Phonograms through the "Playlist double claims" section of Katalegale, a fair settlement will be sought for them by a Conciliation Committee, formed by three members and constituted by the President of the Company, at the written request of the most diligent party, giving immediate written notice to the Members and the parties and setting the date of the meeting of the Committee and the participation of the parties, which can also take place by telephone. This Committee is made up of the Company Deputy Chairman, the Chairman of the Board of Statutory Auditors and the Company Chairman, who chairs it; or, in the event of impediment of one or more of these subjects, by a person in charge of the impeded subject, upon written designation from time to time for each individual meeting.

The Committee favours an amicable solution to the dispute, without any other procedural constraint other than compliance with the adversarial procedure. If the conciliation attempt is successful, a report is drawn up which, signed by the parties and by the members of the Committee, constitutes, for all

legal purposes, a negotiating manifestation of the common will of the parties, even in the process of settlement.

17.3 For each dispute arising between the Principals in the event of Double Claims, suitable documentation certifying the basis of each claim is produced, under penalty of inadmissibility of the request and by the claimant; the non-appearance of one of the parties summoned for two consecutive times before the Conciliation Committee, in the absence of suitable justification, is equivalent to renouncing one's own claim and acknowledgment of the adverse claim; in both cases with consequent compliant acknowledgment by the Committee.

17.4 If the attempt is unsuccessful, the production in court of the report is a condition of admissibility of the arbitration solution of the dispute envisaged below.

17.5 Disputes arising between the Principals in the event of Double Claims, once the attempt at conciliation referred to in art. 17.2 has been tried without success, will be defined by the most diligent Principal and only in relation to the other counterpart/s, with the Company being exempted from all charges, by arbitration according to the Rules of the Arbitration Chamber of Milan, by a single arbitrator appointed in accordance with this Regulation and, by way of derogation from art. 824 bis of the Italian Civil Procedure Code, disputes will be defined by the arbitrator by contractual determination. The consequent definitive solution of each arbitration is communicated by the Principal concerned to the Company, which takes it into account for the purposes of the distribution.

18. Resolution of other disputes between the Company and Principals

18.1 A fair settlement of any dispute between the Company and the Principals will be sought by a Conciliation Committee, made up of three members, which, at the written request of the most diligent party, the President of the Company constitutes, giving immediate written notice to the Members and to the parties and setting the date of the meeting of the Committee and the participation of the parties which can also take place by telephone.

This Committee is made up of three subjects: a person appointed by the Principal, the Company Deputy Chairman and the Company Chairman, who chairs it; or, in the event of impediment of one or more of these subjects, by a person in charge of the impeded subject, upon written designation from time to time for each individual meeting.

The Committee favours an amicable solution to the dispute, without any other procedural constraint other than compliance with the adversarial procedure. If the conciliation attempt is successful, a report is drawn up which, signed by the parties and by the members of the Committee, constitutes, for all legal purposes, a negotiating manifestation of the common will of the parties, even in the process of settlement.

18.2 If the attempt is unsuccessful, the production in court of the report is a condition of admissibility of the arbitration solution of the dispute envisaged below.

18.3 All disputes arising from the Mandate contract or in relation to the same that may arise between the Company and the Principals - once the attempt at conciliation referred to in art. 18.1 - will be decided through recourse to ritual arbitration pursuant to art. 806 and following of the Italian Civil Procedure Code, with devolution to an arbitration board. The board, which will be based in Milan, will consist of three members: one appointed by the Principal, one appointed by the Company, in accordance with the provisions of art. 810, paragraph 1, of the Italian Civil Procedure Code and the third, acting as a president, by the parties in agreement with each other or, in the event of no agreement, within 30 (thirty days) from the second appointment, by the President of the Court of Milan, at the request of the most diligent part. The same President of the Court of Milan will also be responsible for appointing the arbitrator on behalf of the party that has not proceeded within twenty days of receipt of the request for arbitration made by the other party by means of a notified document containing the designation of the arbitrator of the requesting party. The arbitration decision must be pronounced by the arbitration panel within 90 (ninety) days from the date of the report of the

establishment of the panel, except for the extensions granted by the parties and those that - within the overall limit - of 120 (one hundred and twenty) days - the same panel may establish where it is necessary to hire investigative means, including technical consultancy. The arbitrators will decide by law and their decision will be indisputable within the limits of the law.

Annex A

List of documents to be attached to the Agency Agreement

- Self-declaration affidavit made pursuant to Presidential Decree of 28 December 2000, no. 445 and successive amendments, stating that the applicant is the holder of one or more of the rights referred to in article 4 of SCF Articles of Association with reference to at least one Phonogram and documentation relating to at least one of the Phonograms produced or interpreted by the applicant;
- Self-declaration affidavit made pursuant to Presidential Decree 28 December 2000, n. 445 and subsequent amendments certifying that the applicant (administrator of the entity) is exempt from final convictions relating to offenses against copyright as well as the offenses referred to in Legislative Decree 8 June 2001, no. 231;
- copy of an identity card (or passport) of the natural person or of the legal representative of the company;
- an updated copy of the Chamber of Commerce company registration and of the Company's last three balance sheets;
- declaration of unconditional acceptance of: a) SCF Articles of Association, b) Regulation granting the Mandate and concerning the distribution and c) Code of Ethics of the company.