

## INTERNAL REGULATION PROCEDURES CONCERNING THE MANDATE AND THE DISTRIBUTION OF ROYALTIES<sup>1</sup>

### Art. 1 – Definitions

#### **AIE (Performing Artists):**

Indicates primary and secondary performing artists of Phonograms, as defined by art. 82 of the Italian Copyright Law (LDA).

#### **Musical Base:**

Indicates the material medium of a Phonogram -whether unpublished or already released- owned by the Principals, in any format (analogue and/or digital), not available on the market but obtainable exclusively from the Principal holding the related rights. It contains the original or reworked recording of such Phonogram (either solely the instrumental track or including the vocal performance of the artist), and it is intended to accompany and enhance the vocal performance of an AIE, replacing, in whole or in part, the artist's original performance and/or musical accompaniment.

#### **Private Copying:**

Indicates the remuneration for private copying pursuant to art. 71-octies of the LDA.

#### **Fee:**

Indicates the remuneration due to the Company pursuant to art. 4 of this Regulation.

#### **Phonogram:**

Indicates any fixation or original sound recording of the performance of a musical work, or a sequence of sounds and/or voices, on any phonographic medium, whether currently known or invented in the future, created by the Phonographic Producers Principals for any purpose of economic exploitation.

#### **LDA (Italian Copyright Law):**

Indicates the Law of 22 April 1941, no. 633, and subsequent amendments and integrations.

#### **Principals:**

Indicates the natural or legal persons holding—either originally or derivatively—the rights of use of Phonograms as provided under arts. 72, 73 and 73-bis of Law 633/1941 (“LDA”), who have granted or may grant in the future to SCF, directly or through other collective management entities, a mandate for the management and exercise of such rights.

#### **Mandate:**

Indicates the mandate agreement granted under art. 1705 of the Italian Civil Code by the

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

<sup>2</sup> The Italian Copyright Law.

Principal to the Company for the management of one or more of the rights referred to in art. 4 of the Company's Articles of Association.

**Average Percentage of Rights Revenue:**

Indicates the ratio between the Rights Revenue accrued by each Principal and the total Rights Revenue accrued by all Principals.

**Phonographic Producers:**

Indicates the subjects referred to in art. 78 LDA, as well as their successors in title, holding rights originally or derivatively.

**Rights Revenue:**

Indicates the total amount collected by the Company on behalf of its Principals for the management of the rights referred to in art. 4.1 of the Company's Articles of Association.

**Net Rights Revenue:**

Indicates the Rights Revenue net of the Fee.

**Company:**

SCF S.r.l.

**Digital Uses:**

Indicates the communication and/or making available of Phonograms through the Internet in simulcasting, webcasting, or non-interactive streaming modalities.

**Primary Uses:**

Indicates any form of use of Phonograms for which revenue deriving from neighbouring rights arises under art. 72 LDA, insofar as such uses are managed by the Company pursuant to art. 4 of its Articles of Association.

**Secondary Uses:**

Indicates any form of use of Phonograms for which revenue deriving from neighbouring rights arises under arts. 73 and 73-bis LDA.

**Videoclip:**

Indicates any sequence of moving images—considered in its specific individuality and therefore protected separately and autonomously from any Phonogram, including when the latter is synchronised with the Videoclip images—synchronised with a musical recording fixed on any videographic medium currently known or invented in the future, created by the Phonographic Producers Principals for any purpose of economic exploitation, intended to visually narrate a musical work.

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## **Art. 2 – General Provisions**

### **2.1**

This Regulation (“Regulation”) has been drafted with reference to Directive 2014/26/EU on collective management of copyright and related rights.

### **2.2**

This Regulation governs the Mandate granted to the Company by rights holders and establishes the timing, methods and conditions for the distribution of Net Rights Revenue to the Principals of the Company.

### **2.3**

The Regulation is drafted, approved and/or amended by the Company’s Board of Directors pursuant to art. 5.1 of the Company’s Articles of Association.

### **2.4**

The Regulation is published on the Company’s website.

### **2.5**

The provisions of this Regulation concerning the final distribution of Net Rights Revenue apply to Net Rights Revenue relating to fiscal years 2021 and subsequent years.

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## **Art. 3 – Granting of the Mandate**

### **3.1**

The Company’s Board of Directors adopts the standard Mandate templates and ensures their publication on the Company’s website.

### **3.2**

The Mandate, granted for consideration, is conferred to the Company without representation and on a non-exclusive basis.

### **3.3**

The Mandate is granted for an indefinite term.

### **3.4**

The following constitute necessary and sufficient conditions for the granting of the Mandate:

- The ownership—also on the basis of an exploitation agreement—of one or more of the rights referred to in art. 4 of the Company’s Articles of Association;
- The Principal must not, at the time of granting the Mandate, have been definitively convicted, including in cases of plea agreement under arts. 441 et seq. of the Italian Code of Criminal Procedure (or analogous procedures), for any of the offences under arts. 171 et seq. LDA, nor for any offence involving infringement of copyright or related rights, nor for any of the offences foreseen under Legislative Decree 8 June 2001 no. 231. For legal entities, this requirement must be met by their directors;

- The unconditional acceptance of the Articles of Association, this Regulation, and the Company's Code of Ethics.

### **3.5**

The application for granting the Mandate, which must be signed by the individual or the legal representative of the entity, must include the documents listed in Annex A.

If the Company finds that the requirements under art. 3.4 are not met or the documentation under art. 3.5 is incomplete, the Mandate cannot be executed by SCF, which will notify the applicant accordingly within 60 days from receipt of the application.

### **3.6**

The Mandate is deemed granted over the entire Repertoire of each Principal, over all the rights referred to in art. 4 of the Company's Articles of Association, and over the entire World territory, unless the Principal has limited SCF's activity to part of its repertoire or rights or to certain countries, by written notice (also without justification) via registered letter with return receipt or certified e-mail (PEC), either at the time of granting the Mandate or subsequently. If the limitation notice is sent by 31 August, it becomes effective as of 1 January of the year following the year in which the notice is sent; if sent after 31 August, it becomes effective as of 1 January of the second year following the year of sending.

If, following the declaration of limitation, no repertoire or rights remain for management by the Company, the declaration is considered a withdrawal.

## **Art. 4 – Fee**

### **4.1**

The Fee applied by the Company to all Principals is equal to:

- **3%** of the remuneration collected by the Company on behalf of the Principals for private copying rights;
- **15%** of the remuneration collected for neighbouring rights relating to Broadcasting and Web uses;
- **16%** of the remuneration collected for neighbouring rights relating to Public Performance uses;
- **10%** of the remuneration collected through foreign collective management organisations.

With regard to private copying rights, in addition to the above Fee, the Principal shall reimburse the Company in full for any SIAE charges re-invoiced to SCF, including those related to SIAE's own commission.

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## **Art. 5 – Obligations of the Principal**

### **5.1**

The Principal expressly warrants that it is the full and lawful owner of the rights included in the Mandate granted to the Company and undertakes to hold the Company harmless and indemnified from any damage or adverse consequence arising from lack of ownership of the repertoire or from any false or incomplete information provided.

### **5.2**

The Principal also undertakes to promptly provide the Company with all means and information necessary for the execution of the Mandate, including, by way of example, the list of trademarks with indication of the date on which ownership began, and the upload of its complete repertoire in *Katalegale* with all required metadata.

The Principal likewise undertakes to promptly notify the Company of any update to the data or information previously provided.

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## **Art. 6 – Execution of the Mandate**

### **6.1**

The Company shall execute the Mandate ensuring the adoption of criteria of transparency, publicity, fairness, impartiality, equal treatment and non-discrimination toward the Principals.

### **6.2**

The Company shall negotiate and enter into agreements with users of the Repertoire, pursuing the objective of increasing the total remuneration collected by the Company.

To this end, the Company may also enter into settlements with contractual counterparties whenever such settlements appear functional to the achievement of this objective.

## **Art. 7 – Access to Documents and Contracts**

### **7.1**

Principals shall have the right to examine, at the Company's headquarters, the contracts executed by the Company with users of the Repertoire managed on their behalf.

The right to make copies of such documents is expressly excluded.

Principals are also prohibited from disclosing the content of such documents to third parties.

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## **Art. 8 – Revocation of the Mandate**

### **8.1**

The Principal may revoke the Mandate by giving notice **exclusively** via registered letter with return receipt or certified e-mail (PEC), addressed to the Chairman of the Company's Board of Directors.

Tacit revocation is expressly excluded.

Revocation becomes effective upon receipt of the communication by the addressee.

## 8.2

If the revocation notice is sent by **31 August**, it becomes effective as of **1 January of the year following** the year in which the notice is sent.

If the notice is sent **after 31 August**, revocation becomes effective as of **1 January of the second year following** the year in which the notice is sent, subject to art. 8.3 below.

## 8.3

In the event of a **serious breach** by SCF of its obligations relating to the collection and distribution of compensation covered by the Mandate, revocation shall have **immediate effect**.

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## Art. 9 – Withdrawal by the Company

### 9.1

The Company may withdraw from the Mandate by giving notice **exclusively** via registered letter with return receipt or certified e-mail (PEC), addressed to the Principal.

Withdrawal becomes effective upon receipt of the notice by the Principal.

### 9.2

If the withdrawal notice is sent by **31 August**, it becomes effective as of **1 January of the year following** the year in which the notice is sent.

If sent **after 31 August**, withdrawal becomes effective as of **1 January of the second year following** the year in which the notice is sent, subject to art. 9.3 below.

### 9.3

Withdrawal shall have **immediate effect** in the presence of **just cause**, including:

- i) Failure by the Principal to fulfil payment obligations of any sums owed for any reason, including the Fee referred to in art. 4, as well as failure to comply with one or more of the obligations under art. 5;
  - ii) The conviction of the Principal (and/or its legal representatives), by a final judgment—including cases of plea agreement under arts. 441 et seq. of the Italian Code of Criminal Procedure (or analogous procedures)—for one or more offences under arts. 171 et seq. LDA, or any serious offence connected to copyright infringement.
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## Art. 10 – Termination of the Mandate and Regime of Agreements with Third-Party Users. Settlement of Balances

### 10.1

In both cases of revocation of the Mandate and withdrawal by the Company, agreements concluded by the Company with third-party users **before** termination of the Mandate shall cease to have effect for the Principal as of the date on which revocation or withdrawal becomes effective.

## 10.2

Remuneration accrued **during the period of validity of the Mandate**, but collected by the Company **after** revocation or withdrawal, shall be distributed periodically to the Principal in accordance with the general rules.

The Principal shall therefore remain obliged to pay the corresponding Fee until full settlement of all sums due.

## Art. 11 – Allocation of Rights Revenue Between Phonographic Producers and AIE

### 11.1

For the purposes of this Regulation, Rights Revenue is allocated as follows between Phonographic Producers and AIE:

- **Primary Uses** referred to in art. 72 LDA:  
**100% to Phonographic Producers**
  - **Secondary Uses** referred to in arts. 73 and 73-bis LDA:  
**50% to Phonographic Producers and 50% to AIE**
  - **Private Copying:**  
**50% to Phonographic Producers and 50% to AIE**
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## Art. 12 – Distribution Criteria

### 12.1

Rights Revenue is allocated to each Principal on the basis of the **actual use** of the Phonograms belonging to them, as resulting from the relevant **analytical reports** submitted by each user or obtained directly by the Company or through third-party entities, while ensuring a proper balance between analytical rights management and cost-effectiveness.

### 12.2

In the absence of the analytical reports referred to in art. 12.1, the following criteria shall apply to the distribution of Rights Revenue deriving from Primary and Secondary Uses, divided by user category, as indicated in the statements sent annually by the Company to the entitled parties, and as established by the Board of Directors based on guidelines approved by the Shareholders' Meeting:

#### **Broadcasting:**

- **National TV:**  
100% of the analytical value of the National TV user category, separately for each medium (Phonograms, Videoclips, Musical Bases)
- **Local TV:**  
Same criterion as National TV

- **Satellite, Music, and Digital TV:**  
100% of the analytical value of the Satellite/Music/Digital TV users, by medium type
- **National Radio:**  
100% of the analytical value of the National Radio users
- **Other Radio Stations:**  
100% of the analytical value of the Radio user category

**Web:**

100% of the analytical value of the Broadcasting user category, for the same medium type.

**Public Performance:**

- **Commercial and Public Establishments:**  
Proportionally to the analytical reports of music transmission sources declared by users for each relevant year
- **Music Providers:**  
Proportionally to analytical reports for business segments significantly represented; alternatively, 100% of the analytical value of the overall music provider category
- **Accommodation Facilities:**  
100% of the analytical value of the TV user category
- **Discos and Disco Pubs:**  
Proportionally to a panel of dance music charts identified by SCF and approved by its Board of Directors
- **Events:**
  - 70% proportionally to the combined value of the Disco, Disco Pub and Public Establishment categories
  - 30% proportionally to mechanical reproduction rights (DRM)
- **Other Public Performance:**  
Proportionally to the combined value of all remaining Public Performance categories

Where the analytical value of TV users is used (in the absence of analytical reports), only Phonograms, Videoclips and Musical Bases appearing in **at least three reports from different users** shall be considered representative.

**12.3**

The Company carries out or commissions surveys and market research to obtain the data necessary to assess the effectiveness of the non-analytical criteria specified above and to integrate or replace such criteria for subsequent years.

## 12.4

Without prejudice to the Company's right to establish new distribution criteria, Rights Revenue deriving from **Private Copying** is allocated to each Principal **according to the distribution criteria applied at source by SIAE** among the collective management entities representing rights holders.

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## Art. 13 – Reserves

### 13.1

This Regulation establishes a **guarantee fund** against risks associated with the payment of remuneration due to Phonographic Producers.

Although funded only with reference to remuneration due to Phonographic Producers, the fund is intended to cover **any potential risk** relating to the distribution of remuneration for **Primary Uses, Secondary Uses and Private Copying** payable to all entitled parties, including both Principals and third parties.

All pre-existing risk reserves related to compensation owed to Principals and third parties, as of the date of adoption of this Regulation, are merged into this fund.

The Board of Directors, upon proposal by the General Manager, may:

- allocate additional amounts to the fund, if deemed necessary;
- release amounts considered excessive.

### 13.2

If amounts due to rights holders cannot be distributed **within three years** from the end of the financial year in which Rights Revenue was collected, **and provided that the Company has taken all necessary measures to identify and locate the rights holders** as required under Directive 2014/26/EU, art. 13(3), such amounts shall be considered **non-distributable**.

The Shareholders' Meeting shall determine the use of non-distributable amounts, in accordance with Directive 2014/26/EU, art. 8(5)(b), without prejudice to the rights of legitimate claimants under applicable law.

### 13.3

Rights Revenue deriving from Phonograms for which more than one Principal has claimed ownership (**conflicts**) shall be set aside in a **specific reserve fund** until resolution of the dispute.

If the dispute is not resolved within **three years** from its emergence, such revenue shall be considered **non-distributable**.

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## **Art. 14 – Statements and Advances**

### **14.1**

Amounts collected by the Company are distributed to entitled parties by the General Director or the CEO, in accordance with the applicable distribution rules.

### **14.2**

Except for Private Copying Rights, the Company undertakes to distribute Net Rights Revenue to Principals (and their assignors) and send the related statement **within nine months** from the end of the financial year in which the Rights Revenue was collected, unless prevented by:

- missing information from users,
- inability to identify rights holders,
- missing metadata linking works to their rights holders.

### **14.3**

As concerns **Private Copying Rights**, the Company likewise undertakes to distribute the relative Rights Revenue and send the related statement within **nine months**, unless obstacles arise due to missing or incomplete user communications, identification issues, or missing metadata.

The Fee under art. 4 is invoiced and deducted from payments relating to Private Copying.

### **14.4**

For amounts collected but not distributable due to lack of necessary information, and upon **written request by the Principal**, the Board of Directors may authorise **quarterly advances** (March, June, September, December).

Advances are calculated as:

- **70%** of the Principal's **average percentage of Rights Revenue** definitively distributed over the most recent three-year period,
- provided that all accounting documents (invoices, credit notes) have been duly issued.

This percentage may be raised to **100%** for Principals who request it and who are **not debtors** of the Company due to prior overpayments lasting more than three months in the preceding twelve months.

Advances disbursed or offset under art. 15.1 shall be recovered from later definitive allocations.

If advances exceed the final amounts due, the difference shall be deducted from subsequent allocations (advance or definitive).

### **14.5**

Principals may contest their statement, indicating reasons and providing supporting documentation, via registered letter with return receipt or PEC, addressed to the General

Director, within **90 days** of receiving the statement.  
Such contestation shall not suspend allocations to other Principals.

## **Art. 15 – Payments**

### **15.1**

Following transmission of the Statement of Net Rights Revenue to the Principals and after receipt of the relevant invoice, the Company shall offset all debit and credit entries and credit the undisputed balances to the individual bank accounts opened by the Principals. The details of such accounts, as well as any changes thereto, must be communicated to the Company by the Principals at their own care and expense.

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## **Art. 16 – Complaint Procedure**

### **16.1**

Any complaints regarding, in particular:

- the authorisation to manage rights,
- conditions of adhesion,
- the collection of amounts due to rights holders,
- deductions,
- and distributions,

must be communicated to the Company, indicating the reasons and providing any supporting documentation, by registered letter with return receipt or PEC, addressed to the General Director of the Company, within **90 days** from:

- receipt of the document being contested, or
- the occurrence of the act or fact giving rise to the complaint.

### **16.2**

The Company shall respond in writing within **45 days** from receipt of the complaint, providing the necessary clarifications and, where appropriate, taking suitable measures to remove the grounds for the grievance.

If a complaint is deemed unfounded, the Company shall provide adequate justification, unless the complaint is clearly unfounded or vexatious.

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## **Art. 17 – Resolution of Disputes Between Principals Concerning Ownership and/or Allocation of Compensation from the Use of Phonograms and/or Videoclips (Double Claims)**

### **17.1 – Resolution through *Katalegale***

For disputes arising between Principals concerning:

- ownership of Phonograms and/or Videoclips, and/or
- the allocation of compensation deriving from their use,

where more than one Principal has claimed entitlement (“Double Claims”), each Principal may seek resolution directly through the Company’s digital platform **Katalegale**, via the dedicated sections “**Catalogue Conflicts**” and “**Playlist Conflicts**”.

Through these sections, Principals may send to the other disputing Principal(s) proposals for:

- attribution of ownership, and/or
- allocation of compensation.

Acceptance takes place directly in *Katalegale* and results in resolution of the conflict.

The Company shall notify all Principals involved in conflicts **at least once a year**, indicating the deadline for resolving such conflicts through the *Katalegale* platform.

For conflicts still unresolved after the indicated deadline, where a proposal has been submitted and remains unanswered, the Principal(s) receiving the proposal shall have **an additional 15 days** to reject it.

If the Principal(s) fail(s) to reject the proposal within that 15-day period, **silence shall constitute full acceptance**, and the conflict shall be resolved in favour of the requesting Principal.

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### **17.2 – Conciliation Committee**

If the conflict cannot be resolved through *Katalegale*, an attempt at amicable settlement shall be undertaken by a **Conciliation Committee**, composed of three members, and convened at the written request of the most diligent party.

The President of the Company:

- appoints the Committee,
- notifies its members and the parties,
- sets the date of the Committee’s meeting,
- and determines the method of participation (including teleconference).

The Committee is composed of:

- the Vice Chairman of the Company,
- the Chairman of the Board of Statutory Auditors,

- the Chairman of the Company (who presides),

or, where any of these are unable to attend, a person designated in writing as their substitute for that meeting.

The Committee shall foster an amicable resolution of the dispute, respecting the adversarial principle.

If successful, the settlement is recorded in minutes signed by the parties and members of the Committee and constitutes, for all legal purposes, a binding contractual agreement.

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### **17.3 – Documentation Requirement / Absence as Acceptance**

For each conflict, the claiming Principal must produce suitable documentation proving the basis of the claim; failure to do so results in **inadmissibility**.

Failure of a summoned party to appear **twice consecutively**, without adequate justification, is deemed:

- a **waiver of its claim**, and
- an **acknowledgement of the opposing claim**.

The Committee shall take note accordingly.

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### **17.4 – Condition for Arbitration**

If the conciliation attempt fails, production of the minutes before a court is a **condition of admissibility** for arbitration proceedings.

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### **17.5 – Arbitration**

Conflicts between Principals, once the conciliation attempt under art. 17.2 has failed, shall be resolved by **arbitration** according to the Rules of the Arbitration Chamber of Milan, by a **sole arbitrator**, appointed in accordance with such Rules.

The Company is exempt from any involvement or burden.

By way of derogation from art. 824-bis of the Italian Code of Civil Procedure, disputes shall be resolved by **contractual determination** of the arbitrator.

The resulting final decision must be communicated by the diligent Principal to the Company, which shall take it into account for distribution purposes.

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## **Art. 18 – Resolution of Other Disputes Between the Company and Principals**

### **18.1 – Conciliation Committee**

Any dispute between the Company and Principals shall likewise be submitted, at the request of the most diligent party, to a **Conciliation Committee** composed of three members, constituted by the President of the Company with notification to all parties.

The Committee is composed of:

- one member appointed by the Principal,
- the Vice Chairman of the Company,
- the Chairman of the Company (who presides),

or designated substitutes where needed.

The Committee aims to facilitate an amicable resolution, respecting the adversarial process. If the attempt is successful, minutes signed by the parties and the Committee constitute a binding contractual agreement.

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### **18.2 – Condition for Arbitration**

If conciliation fails, the minutes must be produced in court as a **condition of admissibility** for arbitration.

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### **18.3 – Arbitration Clause**

All disputes arising from or relating to the Mandate between the Company and Principals—once the conciliation attempt has failed—shall be decided through **ritual arbitration** under arts. 806 et seq. of the Italian Code of Civil Procedure, by an **arbitral panel of three members**, sitting in Milan:

- one appointed by the Principal,
- one appointed by the Company,
- the third (President of the Panel) jointly appointed by the parties,
- or, failing agreement within 30 days of the second appointment, appointed by the President of the Court of Milan.

If a party fails to appoint its arbitrator within 20 days of receiving notice from the other party, the President of the Court of Milan shall appoint the arbitrator.

The award must be rendered within **90 days** from the constitution of the arbitral panel, subject to extensions granted by the parties or authorised by the panel (within a maximum of **120 days**), including time required for investigative measures or technical consultancy.

The arbitrators shall decide **according to law**, and their decision shall be final within the limits of applicable rules.

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## **ANNEX A**

### **List of Documents to be Attached to the Mandate Application**

- A self-declaration affidavit pursuant to Presidential Decree 28 December 2000, no. 445 and subsequent amendments, stating that the applicant is the holder of one or more of the rights referred to in art. 4 of the Company's Articles of Association in relation to at least one Phonogram, and including documentation relating to at least one Phonogram produced or performed by the applicant.
- A self-declaration affidavit under the same Decree, stating that the applicant (or the entity's legal representative) has no final convictions for copyright-related offences nor for offences under Legislative Decree 8 June 2001, no. 231.
- A copy of a valid identity document of the natural person applicant or of the legal representative of the entity.
- An updated historical Chamber of Commerce registration and the entity's last three financial statements.
- A declaration of unconditional acceptance of:
  - a) the Company's Articles of Association;
  - b) this Regulation on the granting of the Mandate and distribution of Rights;
  - c) the Company's Code of Ethics.