

TEOSTO, FINNISH COMPOSERS' COPYRIGHT SOCIETY

DISTRIBUTION AND DIVISION RULES

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DISTRIBUTION RULES

Teosto distributes the performing right royalties and other royalties related to music use which it collects within its scope of operation to the rightholders of works. Teosto distributes the royalties in accordance with the Distribution and Division Rules approved by the General Meeting.

In the Distribution and Division Rules and in Teosto's operations, the term "rightholder" refers to the holder of the rights to a work; in other words, the composer, lyricist*, arranger, translator, their heirs and the publisher of the work.

Teosto pays royalty distributions to those rightholders who have signed a membership agreement as well as to foreign rightholders through Teosto's partner collective management organizations abroad. A member is entitled to royalty distributions for the works of which the member has duly submitted a work notification and provided that Teosto has been informed of the performance or other use of such a work by means of a performance report or other agreed manner.

*The lyricist also refers to an author of text.

Main principles of distribution

Teosto's performing right royalty distribution is based on distribution categories. The categories include radio, television, concerts, other live events, theatre, film, online, and background music. Each category may contain several internal distribution areas.

Each distribution area has its own distributable amount, which is primarily based on the invoicing in the area in question. Thus, the distribution areas and invoicing areas are primarily the same. Performance reports are not received from all invoicing areas. The royalties collected in these areas shall be distributed on the basis of performance reports received within other areas. The distributable amount of a distribution area thus consists of the invoicing in the area in question and any transfers from other invoicing areas.

A distribution area may contain internal performance groups, each of which has its own multiplier. Royalty distribution to a performance is based on the duration of the performance and the performance group multiplier within the said distribution area.

Some music users make lump sum royalty payments to Teosto, with no itemization of the invoicing areas. Teosto may use multipliers to weigh the distribution areas for which royalties are allocated.

1. Distribution of performing right fees collected in Finland

1.1. Performance reports

The distribution of performing right fees collected in Finland is based on the performance reports that Teosto receives from performers or music users. A performance report includes the titles, author details and duration of the works performed. As a rule, a performance report must be submitted to Teosto on all public performances of live music. Unless otherwise agreed, a performance report is not needed for background music played from recordings.

Radio and television companies and other customers whose operations are primarily based on music shall submit performance reports to Teosto on both live music and music played from recordings. Concert promoters shall submit a performance report on each concert. Other event promoters shall submit performance reports on live music, unless the music performer takes care of the report in accordance with the web service agreement the performer has concluded with Teosto.

A music performance report must be submitted to Teosto as soon as possible after the performance, however, no later than one month after the end of each quarter of the year.

1.2. Parameters affecting the performing right royalty distribution

In addition to the performing right royalties collected by Teosto, the distribution payable on a performance of a work is affected by

- distribution area (e.g., radio channel, major festival or other pool of events where the work was performed)
- performance group multiplier (e.g. weighing visual performance in relation to background music in the television category)
- number of performances
- duration of the performance
- royalty share of the performance of the work in accordance with the Division Rules (the division of royalties agreed by the rightholders).

These parameters generate distribution points for the work. The royalty distribution for a work from a certain distribution area shall be based on the proportion of the distribution points for the work in relation to the total quantity of points in the said area or on an estimate thereof. Each rightholder shall receive the royalty share of the distribution received by the work as agreed by the rightholders.

Some areas of music usage are not included in Teosto's scope of administration. Teosto's Board of Directors, too, may exclude a certain usage from Teosto's scope of administration (e.g. music composed for games). In these cases, the rightholder shall self-administer the use of the work, and Teosto shall not distribute royalties.

The grounds on which Teosto distributes the royalties to the domestic and foreign rightholders it represents shall be the same.

The following provides more details on the parameters which affect distribution:

1.2.1. Distribution area

The distribution shall be based on distribution areas. The total amount to be distributed for each area shall be primarily based on the performing right fees collected within the corresponding invoicing area. The distribution shall be paid on works performed in the area in question, and the multipliers weighing different performances shall apply within that area only.

1.2.2. Performance group multiplier

The distribution received by a performance of a work can be increased or decreased by a multiplier. The General Meeting of the Society shall confirm the principles of applying performance group multipliers by distribution area, and Teosto's Board of Directors shall confirm the corresponding multiplier values annually.

A link to the valid performance group multipliers can be found in item 1.4.

1.2.3. Duration of performance

The distribution shall be based on the duration stated in the performance report. If the duration has not been reported, the duration provided in the original work notification shall be used. If no duration has been submitted in the work notification either, the assumed duration shall be three minutes.

The duration of works containing considerable amounts of improvisation is determined as follows:

- radio and television performances: as reported in the performance report
- other performances: a maximum of six minutes, unless the author can prove that the notated part of the work is longer than that.

1.2.4. Distribution for unreported areas

Teosto does not require performance reports on all use of music. If no performance reports are submitted, royalties can be distributed based on the performance reports received within other distribution areas. The selection of the performance reports to be used shall be based on

- a) surveys and information on the sources of music usage
- b) decisions by Teosto's Board of Directors as recommended by the Distribution and Division Rules Committee.

The goal shall be for the distribution to match the use of works in the areas in question as accurately as is possible based on the information available and the assessment criteria.

1.3. Calculation formula for the distributable amount of a distribution area

The distributable amount per distribution area shall be calculated as follows:

- Add up the performing right royalties collected by Teosto for the distribution area.
- Add the share of investment and other income.
- Subtract the expenses.
- This results in the net income for the distribution area.
- Subtract the withholding for the promotion of Finnish music.
- Add the share of transferable appropriations.
- This results in the distributable amount for the distribution area.

When the distributable amount is based on an estimate, a supplementary distribution may be annually carried out if so decided by Teosto's Board of Directors.

1.3.1. Calculation formula variables

1.3.1.1. Performing right fees

Performing right fees are remunerations collected within the corresponding invoicing area.

1.3.1.2. Other income

Income from other operations (investment income and other income) shall be divided between each distribution area in proportion to the royalty income of each area. Income from the following sources shall be excluded from the division of other income:

- retransmission of broadcasts in cable TV networks
- mega concerts
- mechanical reproduction
- performances abroad
- performances of grand rights works
- remuneration for the lending of recordings and sheet music in libraries
- fair compensation for private copying.

1.3.1.3. Expenses

Expenses allocated to each distribution area shall be deducted from the income of the area. They may vary by distribution area based on the amount of effort and administrative expenses.

1.3.1.4. Funds used for the promotion of Finnish music

In accordance with the agreements that Teosto has concluded with its members and with the agreements on reciprocal representation concluded between Teosto and foreign collective management organisations, Teosto can deduct up to 10 per cent of the distributable amount for the promotion of Finnish music.

1.3.1.5. Royalties within unreported distribution areas

The royalties within unreported distribution areas shall be distributed on the basis of performance reports received within other areas. Teosto's Board of Directors shall determine the reports to be used, with the aid of surveys on the use of background music and other potential sources of information.

1.3.1.6. Share of transferable appropriations

Royalties allocated to non-society music authors, carried over from earlier distributions, suspended funds, and adjustment items shall be included in distributions by the decision of the General Meeting of the Society. The amount shall be allocated to the distribution areas in proportion to their size (see Teosto's statutes, Section 28 paragraph 4).

1.4. Use of performance group multipliers

Teosto's Board of Directors shall decide, within the limits set by the General Meeting of the Society, on the valid performance group multipliers and the principles related to them. The content of the Board's decision shall be communicated to the members at the next General Meeting.

If it is evident that the application of the Distribution and Division Rules would have an unfair effect on the distribution, the Board may decide to deviate from the limits given in item 1.3. Having done so, Teosto's Board must submit the matter to the Society's next General Meeting to be resolved.

Valid performance group multipliers are included in the Distribution and Division Rules as an Appendix, and they can be obtained from Teosto upon request. Rightholders can also access them by logging in at Teosto's web services www.teosto.fi.

1.5. Distribution areas of performing right fees collected in Finland

1.5.1. Radio

Teosto's goal is to distribute the music performing right fees invoiced from major radio stations to rightholders as separate distribution areas whenever possible and financially justifiable.

The performance group multipliers are based on the purpose and usage value of music in a radio programme. The distribution to be allocated to a performance may be weighed by a multiplier, based on, for instance, whether the performance in question relates to

- a) live music
- b) music played from recordings
- c) signature tunes or music in commercials
- d) some other significant parameter.

Not all radio performances are distributed per station. Distribution multipliers are applicable to distribution areas containing several radio stations. The sizes of those multipliers may be influenced by

- a) the amount of the performing right fees collected by Teosto
- b) the size of population within the service area
- c) some other significant parameter.

1.5.2. Television

Teosto's goal is to distribute the music performing right fees invoiced from major TV stations to rightholders as separate distribution areas whenever possible and financially justifiable.

The performance group multipliers are based on the purpose and usage value of music in a programme. The distribution to be allocated to a performance may be weighed by a multiplier based on, for instance, whether the performance in question relates to

- a) visual broadcast (the performer is visible)
- b) background music
- c) signature tunes
- d) TV film (a programme with casting)
- e) series
- f) music in commercials and the regional coverage of the commercial
- g) loop music.

In addition, when determining the performance group multipliers, the time of broadcast, national programme classification (e.g. Finnpanel), or some other significant parameter may be taken into consideration.

The royalties for music incorporated in foreign TV broadcasts retransmitted by Finnish cable networks shall be distributed by the respective collective management organizations of the countries of origin.

1.5.3. Concerts

1.5.3.1. Concerts invoiced on a one-off basis according to applicable tariffs

Teosto charges a performing right fee from the concert promoter. The amount of the fee depends on the earnings from tickets sold for the concert. Each euro-denominated invoicing class shall be deemed a separate distribution area. No internal performance group multipliers shall be used within such a area.

Performing right fees accrued in the highest invoicing class shall be distributed on a by event basis. The lower limit of the highest invoicing class shall be determined in such a way that distribution by event is financially justifiable.

1.5.3.2. Concerts invoiced on the basis of tailored contracts

Teosto concludes tailor-made contracts deviating from the standard contracts with, for example, unions and central organizations. These contracts have been grouped as separate distribution areas which may have internal multipliers.

The performing right fees for concerts collected on the basis of a tailor-made contract may also be distributed on a by event basis in accordance with the tariff (1.5.3.1) on the condition that it is financially reasonable and improves the correlation between invoicing and distribution.

There may also be separate distribution areas within the scope of a single tailor-made contract on the condition that it is justified in terms of the purpose and usage value of music as well as financially.

1.5.3.3. Mega concerts

Teosto may distribute the performing right fees it collects from considerably large concerts to rightholders as separate distribution areas if the earnings from tickets sold per concert exceed the euro-denominated limit set by Teosto's Board of Directors and if a minimum of 60 per cent of the concert programme consists of works of the headlining artists. This policy does not apply to festivals and equivalent events.

A distribution on a one-off basis requires that the concert date and location, promoter's name and address as well as a list of works to be performed are submitted to Teosto no later than two months before the concert. The distribution shall be based on the final performance report.

Ninety per cent of the royalties shall be paid on the repertoire of the headlining artists and 10 per cent on the repertoire of other performers.

Teosto may deduct a maximum of 15 per cent of the fees for administrative expenses and for the promotion of Finnish music.

Teosto shall distribute the royalties within 28 days of the date on which Teosto has received both the performing right fee paid by the concert promoter and the performance reports.

1.5.4. Other live music

The distribution of works performed live at dance events, parties, sing-along events, customer events and other public events shall be based on invoicing classes, in the determination of which the actual attendance of the event or an estimated maximum capacity thereof, invoicing or other essential parameter may be taken into account. The distribution areas shall be commensurate with the invoicing classes. The performance reports are to be submitted through Teosto's web services.

No distribution shall be made on events which do not belong to the scope of copyright fee collection by Teosto, unless otherwise decided by Teosto's Board on a case-by-case basis.

1.5.5. Performance of recorded music at events

Teosto's Board may specify usage areas of recorded music where the performer or event promoter must submit performance reports through the web service and for which the distribution can be made in the same manner as for performances of live music. Such a procedure must be financially justified for Teosto.

1.5.6. Theatre

Events invoiced in accordance with the tariffs concerning music in theatre performances shall constitute a separate distribution area. The internal performance group multipliers shall be based on the usage of music as follows:

- a) vocals, live
- b) dance, live
- c) dance, music played from recordings
- d) background music
- e) supplementary music.

The multipliers may vary from the highest (a) to the lowest (e) so that the a:e relation is 8:1 maximum.

1.5.7. Cinema

The performing right royalties on music incorporated in films shown in cinemas shall constitute a separate distribution area. It shall also include the music incorporated in feature and short films shown on flights and at public events.

Parameters affecting the distribution include

- box office earnings
- duration of music incorporated in the film
- shares of rightholders.

No performance group multipliers shall be applied to the distribution.

1.5.8. Distribution of performing right royalties for online services

Teosto's goal is to distribute the performing right fees collected from significant online services as separate distribution areas whenever possible and financially justifiable. The distribution may also be carried out by an external party authorised by Teosto's Board, such as the Nordisk Copyright Bureau (NCB).

The following parameters may be taken into consideration in the distribution:

- a) invoicing of performing right fees
- b) method of making music available
- c) method of performance
- d) usage volume
- e) duration of availability
- f) some other significant parameter.

Teosto's Board shall decide on the distribution grounds and the applicable interrelation of the performing right and mechanical reproduction royalties on an annual basis. They shall be communicated to the members at the next General Meeting of the Society.

1.5.9. Distribution of background music

Performing right fees constituting background music revenues accrue from music usage in areas where no performance reports are submitted to Teosto. Such invoicing areas include i.a. music performed in shops, at hairdressers, and as background music in restaurants.

The fees collected from this usage area shall be distributed based on reports received within other distribution areas. Teosto's Board of Directors shall determine the reports to be used, with the aid of surveys on the use of background music and other potential sources of information.

No performance group multipliers shall be applied to the distribution of background music.

1.6. Other distributions

1.6.1. Subsidies for the promotion of Finnish music

In accordance with the guidelines confirmed by Teosto's Board of Directors, the Board shall annually withhold as a cultural deduction an amount to be used for the promotion of Finnish music.

1.6.2. Grand rights

Grand rights works, such as ballet, opera, operettas and musicals, are not included in repertoires represented by Teosto when they are performed in their original context, i.e. on stage.

Radio and television performances of grand rights works shall be within the scope of Teosto's membership agreement if the duration of the performance is less than 20 minutes and does not exceed 25 per cent of the total duration of the work. Likewise, based on the membership agreement, Teosto shall monitor the performances of filmed versions of grand right works.

Teosto shall monitor the mechanical reproduction rights of grand rights works in accordance with the membership agreement. Teosto/NCB shall collect fees and distribute royalties from the mechanical reproduction of grand rights works on audio or audiovisual recordings.

1.6.3. Intensive use of music

Teosto shall invoice performing right fees on intensive use of music, the amount of which is determined by the rightholder of the work. Intensive use of music refers, for example, to situations in which an event, phenomenon, item, or work of art is essentially built on using a certain work / works so that the work or its author easily identifies with the event, phenomenon, item, or work of art in question.

The performing right royalty on intensive use of music is distributed to the rightholder directly after deducting a commission set by Teosto's Board of Directors and a withholding for the promotion of Finnish music have been deducted from the distribution.

If the rightholder has been aware of the potential intensive use of the works and has failed to inform Teosto of it in accordance with the instructions issued by the Board, the rightholder shall not be entitled to receive retroactive royalties for the use of the work, unless Teosto had become aware of the matter otherwise.

1.6.4. Remuneration for lending

The authors of books and authors of recordings and other works that can be borrowed from public or university libraries shall receive remuneration which is financed from a specific annual appropriation included in the state budget. Regarding music recordings and sheet music Teosto shall distribute this remuneration to music authors as instructed by the Ministry of Education and Culture. The distributions shall be based on the borrowing statistics of the libraries.

2. Distribution of performing right royalties from foreign collective management organisations

Teosto receives royalty distributions from foreign collective management organisations on the music it represents. The distribution schedule varies by organisation.

A distribution from abroad may be work-specific or rightholder-specific. In the case of a work-specific distribution, Teosto shall divide the royalty shares between its members in accordance with its own Division Rules.

A minimum limit can be set for manual processing of royalty distributions, and any distribution falling under the limit will be transferred to equalization items.

3. Distribution of mechanical reproduction royalties

The Nordisk Copyright Bureau (NCB) shall deduct a commission, to be confirmed annually in advance, from the mechanical reproduction royalties to be distributed. The invoiced fees shall be distributed for works on each audio or audiovisual recording in proportion to their duration.

When music is integrated (synchronized) with a visual recording, for example, a commercial or a feature film, the invoiced work-specific fee determined by the rightholders, after the deduction of the NCB commission, shall be distributed to the rightholders.

The mechanical reproduction fees paid by radio and television companies shall be distributed as part of the performing right royalty distribution.

4. Distribution of fair compensation for private copying

In accordance with the Copyright Act, the state shall pay compensation to authors for the copies made of their works for private use. The compensation shall be financed from a specific annual appropriation included in the state budget. Teosto shall distribute individual compensations to the rightholders of protected musical works.

The goal shall be for the distribution to match the private copying of works as accurately as possible based on the information and the assessment criteria available.

Compensations for private copying received from abroad on the basis of agreements on reciprocal representation shall be added to the amount of performing right royalties received from each collective management organization and distributed to rightholders in proportion to the performing right royalties they have received. A commission on foreign distributions determined by Teosto's Board of Directors shall be deducted from the distribution.

5. Royalty payments

5.1. Distribution schedule

5.1.1. Performing right fees invoiced from Finland

Teosto shall distribute the performing right fees collected from Finland to the rightholders in a schedule determined by Teosto's Board of Directors, at least once per year.

5.1.2. Performing right royalties paid to Teosto by foreign collective management organisations

Performing right fees collected abroad and remitted to Teosto shall be distributed to members in a schedule determined by Teosto's Board of Directors.

5.1.3. Fees invoiced from mechanical reproduction

Fees collected from mechanical reproduction shall be distributed to rightholders in a schedule determined by the Board of Directors of Nordisk Copyright Bureau (NCB).

5.1.4. Compensations for private copying

Compensations for private copying shall be distributed once per year in a schedule determined by Teosto's Board of Directors.

5.2. Minimum distributable amount

Teosto's Board of Directors may, at its discretion, set a minimum amount for author-specific distribution, and any amount below that will be carried over to the overall distribution of the following year.

5.3. Method of payment

Royalty distributions shall be paid to the member's designated bank account. This may be deviated from in cases stated in item 7. The member shall inform Teosto of any changes in the member's bank account details. Advance payments require a petition by the member and they are subject to preconditions set by the Board of Directors.

5.4. Minimum amount of royalties to be paid

The royalties shall be paid to the member's designated bank account when the accrued amount is EUR 25 or more.

5.5. Tax withholding on royalties

Tax withholding in accordance with the music author's personal tax rate pursuant to the Tax Prepayment Act shall be made on the copyright royalties payable to the author. Teosto receives the members' personal tax withholding rates directly from the tax authorities. If a member has filed for an adjustment to the tax withholding rate, the member should submit a copy of the tax card to Teosto.

Tax withholding in accordance with the Tax Prepayment Act shall be made on the copyright royalties to the rightholders of a deceased author until the end of the year during which the author passed away. Thereafter, the royalty distribution shall be subject to withholding in accordance with the capital gains tax rate.

Royalties distributable to a publisher member shall be paid without tax withholding if the publisher submits a valid extract from the preliminary tax withholding register to Teosto.

If the publisher is liable to pay VAT, Teosto shall distribute the royalties including VAT to the publisher.

Tax at source shall be withheld from the royalty distribution to a rightholder who lives abroad permanently.

6. Complaints about distributions

6.1. Member's complaints

If the distribution received by a member is inadequate, the member can file an itemised rectification request, or a complaint, with Teosto. The complaint must be filed as instructed by Teosto either in the schedule given in the distribution letter, or, if the member has not received a distribution statement, within three years of the performance of the work.

Teosto shall process the complaint on the condition that the member has submitted relevant work notifications and performance reports in accordance with items 1.1., 12.2. and 12.3.

If the complaint is justified and attributable to an error made by Teosto, Teosto shall make an adjustment distribution to the member in the next royalty distribution.

In case the error is not attributable to Teosto or if the estimated effect of the adjustment is less than 100 euros, the adjustment distribution shall be made at the latest in the next

possible royalty distribution conducted in the same distribution area in accordance with the annual distribution schedule published on Teosto's website.

In case the error is attributable to action taken by a third party (for instance, a user client or a performer) providing performance reports to Teosto, the adjustment distribution shall be made at the latest in the next possible royalty distribution conducted in the same distribution area in accordance with the annual distribution schedule published on Teosto's website.

6.2. Required information

The complaint about a performing right royalty distribution regarding a performance left out from the distribution or an incorrect distribution must include information on the date of the performance, performance venue, event promoter, as well as the title of the performed work and the names of its authors. For works performed on the radio or in television, the programme name and broadcasting channel must be provided. For works performed in a concert or other live music event, the name of the performer shall also be given. If Teosto has not received a performance report on the event, the event promoter shall be contacted for the report.

A complaint about the distribution of mechanical reproduction royalties must include information on the producer of the recording, recording identifier, title of the work and names of the authors, as well as the distribution period for which the royalty was due.

6.3. Appeal period

The members shall be notified of the deadline for complaints in connection with each distribution.

7. Contracts of pledge on royalties; other royalty transfers

If a member has made a contract of pledge with a bank concerning the member's Teosto royalties, Teosto may pay the royalty distributions to the bank in accordance with the contract.

The royalties may also be paid to the publisher in order to cover for the advances paid to the music author by the publisher, in accordance with an agreement made between the author and publisher. Advances based on the sales of sheet music shall not be subject to this procedure.

One original contract copy or a certified true copy of the contract must be submitted to Teosto. The contract must cover all distribution areas. The contract may be work-specific or cover all works of the author. A work-specific contract must be related to the publishing contract that covers the work in question. Otherwise Teosto shall not put into practice the transfer of royalties for a single work.

Teosto shall make a tax withholding on copyright royalties in accordance with the author's personal tax rate / capital gains tax rate, pursuant to the Tax Prepayment Act. Teosto shall pay the royalty distribution after having made the required deductions on the basis of possible distraint claims, membership fees to composer associations, and the member's earlier contracts of pledge, and having settled possible outstanding debt to Teosto on the basis of the contracts made between Teosto and the author. The remaining net royalty

payable to the author can be paid to the pledgee bank or publisher, in accordance with the contract.

Teosto shall not monitor the accumulation of the royalty amount as defined in the agreement, but the pledgee bank, publisher or author must inform Teosto of the correct recipient of the payment. Teosto shall always send the distribution statements to the author.

The member may obligate Teosto to transfer the royalties to a third party only in cases described above.

8. Distraint of royalties

When distraining its members' copyright royalties Teosto shall comply with the orders given by the execution authorities.

DIVISION RULES

The Division Rules determine how copyright royalties paid on a work shall be divided between the rightholders of that work.

9. Division of performing right royalties

9.1. General

The composer, lyricist*, arranger, translator and publisher may agree among themselves on the division of shares. Items 9.3 and 9.4 of the Division Rules describe how the shares can be divided. Deviations from the instructions are possible, but the authors of the work need a decision by the Repertoire Committee for this. The publisher's share cannot be changed by the Repertoire Committee.

The sum of royalty shares for a work entirely protected by copyright shall always be 100 per cent.

With adaptations of an existing work, i.e. when an arrangement or a translation is made, the adapted work shall be subject to the Division Rules in effect at the time of its registration. Only one edition of the Division Rules shall be applicable to each adapted version of the work.

*The lyricist also refers to an author of text.

9.2. Term of copyright

The copyright of a work shall cover the author's life and 70 years from the end of the year the author passes away.

The term of copyright of an integrally connected work and a shared work shall cover the life of the authors and 70 years from the end of the year the last surviving composer or lyricist passes away. An integrated work is a work in which the composition and lyrics have a special, close connection. A shared work is a work in which all authors have contributed to both composing the work and writing the lyrics. The same continuous term of copyright shall apply to the entire work and all parts thereof, regardless of whether the lyrics and composition are used together or separately.

The consent of all authors shall be needed for the use of a shared work, regardless of whether only the composition or lyrics are used.

9.3. Shares of authors

The composer and lyricist may freely agree on the shares of the performing right royalties between themselves. The share of each must be a minimum of 20 per cent and a maximum of 80 per cent.

If a work with lyrics has several composers, they may freely agree among themselves on the division of the composer's shares. The total share of all composers must be a minimum of 20 per cent and a maximum of 80 per cent. The same shall apply to works with several lyricists.

As regards a composition which is a setting of a previously published text, the division shall be 66.67 per cent to the composers and 33.33 per cent to the lyricists, or another division agreed on by the authors within the framework set in the first paragraph of item 9.3. The authors shall confirm the selected division of shares by means of the work notification. They shall at the same time confirm that the work is a setting of a previously published text.

Adapters, i.e. the arranger and translator, may agree on the shares with the original authors. The maximum share allowed for adapters shall be one third (1/3) of the shares of the original authors; however, no more than 16.67 per cent of the entire work.

If the creative input of the arranger is greater than the aforementioned 1/3 (no more than 16.67 per cent), the arranger may be entered as one of the composers of the work.

The total of the shares of the authors of the work must be 100 per cent. The authors shall confirm the selected division by means of a work notification. If shares have not been agreed on, Teosto shall distribute 50 per cent of the performing right royalties to the composer and 50 per cent to the lyricist.

9.4. Shares of publishers

If a work is published, the publisher's percentage shall be defined in the publishing agreement. Unless otherwise agreed, Teosto shall distribute 33.33 per cent of the performing right royalties allocated to the work to its publisher.

The publisher's share shall be no more than 33.33 per cent, excluding the exceptions stated below.

The publisher's share may be higher than the aforementioned if the publisher makes substantial financial contributions for the work or its author. Nevertheless, the publisher's share in cases like this may be a maximum of 50 per cent, and the publisher's share exceeding the limit of 33.33 per cent may be valid for a maximum of five (5) years.

Agreements between the author and publisher concerning advance payments and the related temporary changes of payment address cannot change the agreed publisher's share of performing right royalties.

If a work is sub-published, the combined shares of the publisher and sub-publisher may amount to a maximum of 50.00 per cent.

If the publishing agreement only applies to some of the authors of a work, the publisher's share shall be based on the publishing agreement and the proportional share of the published author in the royalties distributable to the work.

If a composition or lyrics are published, the corresponding share of the adapter (an arrangement or translation) shall also be deemed published and the publisher receives a royalty share of this share in accordance with the publishing agreement.

9.5. Royalty shares of works containing portions in the public domain

Portions of a work entering the public domain shall not affect the shares of performing rights royalties distributable to the copyrighted portions of the work.

Teosto's Repertoire Committee shall decide on arrangers' shares of works containing portions that were in the public domain at time of registration of the arrangement, based on

the score or recording provided by the arranger. The ~~royalty~~ arranger's share of a work in the public domain may be 16.67 per cent, 25.00 per cent or 33.33 per cent. If the arrangement is the only copyrighted portion of the work, the publisher's share shall be the same as the arranger's, however no more than 33.33 per cent. The publisher's share shall be deducted both from the author's copyrighted portion and the public domain portion.

The Repertoire Committee's decision shall be based on the creative nature of the arrangement. Factors affecting this include

- size and homogeneity/heterogeneity of the ensemble
- extent and structure of the arrangement compared with the original work and its duration
- harmonic complexity and originality in treatment of tonality
- complexity of voice leading and number of new, independent tones
- other changes and additions
- the extent to which the audible result is dependent on indications made on the score or artistic freedom allowed to the performer.

If the arranger of the work is also its composer and the text is in the public domain, the Repertoire Committee shall decide on the arranger's share.

An arranger not satisfied with the decided share may file a written complaint on the matter. The complaint must include the score and/or a recording of the arrangement and, if possible, of the original work.

If the importance of the public domain text is of limited significance for the entirety of the work and there is no copyrighted text in the work, the composer's share may be set by the Repertoire Committee's decision up to 100 per cent.

When the work enters the public domain, the shares of adapters shall remain unchanged.

If the Repertoire Committee considers a work not an arrangement of a public domain composition but rather a new, independent work derived from the original work through free variation, the author of the work shall receive the composer's share.

9.6. Shares for sub-published works

When a Finnish sub-publisher signs a sub-publishing agreement with a foreign publisher, the publishers may agree between themselves on the division of their shares. The combined shares of the publisher and sub-publisher may not be more than 50 per cent.

For works sub-published for the territory of Finland, the publisher's share shall conform with the terms and conditions of the sub-publishing agreement. The shares of adapters (arranger and translator) shall be determined by the Finnish sub-publisher. If no shares have been specified, the adapter's share shall be one third (1/3) of the share of the original author, however no more than 16.67 per cent. The adapters' shares of performing right royalties shall always be deducted from the original authors' shares.

If a work does not have a Finnish sub-publisher, the foreign party issuing the arrangement or translation permission shall determine the share of the arranger or translator. The shares allocated to Finnish adapters shall survive the termination of the sub-publishing agreement unless otherwise agreed.

The permission to arrange or translate a copyrighted foreign work shall be granted by the publisher or author who holds the adaptation rights to that work for Finland. The party issuing the permission shall also determine the adapter's royalty share.

Correspondingly, a Finnish publisher and a foreign sub-publisher may agree between themselves on the division of their shares; however, the combined royalty share may not exceed 50 per cent.

Teosto must always be notified of any sub-publishing agreements.

9.7. Arranger's right to a royalty share

An arranger is a natural person who changes or adapts a pre-existing composition or arrangement thereof in such a way that the arranger's creative input is clearly identifiable regardless of who performs the arrangement. In order to qualify for an arrangement share distributed by Teosto, the work must have been adapted in a creative manner and the arrangement must exceed the threshold of originality.

An arrangement may also be based on a previous arrangement of the work.

The following do not constitute arrangement or adaptation qualifying for a share:

- adding dynamics or agogics
- adding phrasing and fingering indications
- adding registrations for organ
- adding performing indications, or a performer's interpretative contribution
- correcting errors in the original score, or other similar editing
- transcribing historical or otherwise unusual notation into conventional musical notation
- instrumentation without creative input
- writing simplified versions of the music for different instruments or ensembles
- adding chord symbols to a melody, realizing a basso continuo / figured bass part, or similar editing
- transposing a work or individual parts therein to another key, or for other instruments or voices (transpositions and transcriptions)
- adding or removing doubling or parallel tones
- recreating an arrangement by ear
- adding ornamentation
- making any other changes similar to the above.

10. Division of mechanical reproduction royalties

The division of mechanical reproduction royalties between rightholders for copyright-protected music shall follow the division of performing right royalty shares.

10.1. Division of royalty shares for works containing portions in the public domain

In all cases, 100 per cent of the royalties for mechanical reproduction shall be distributed to the copyright-protected authors and publisher of the work, even if portions of the work were in the public domain.

The publisher's share shall always be as defined in the publishing agreement, and the remaining share shall be divided between the composition and lyrics in equal proportions, unless initially otherwise agreed by the parties.

10.2. Division of royalty shares for sub-published works

When a Finnish sub-publisher signs a sub-publishing agreement with a foreign publisher, the publishers may agree between themselves on the division of their shares. The combined share of the publisher and sub-publisher may be no more than 50 per cent.

The sub-publisher shall receive a share of the mechanical reproduction royalties as defined in the sub-publishing agreement. The adapters' (arranger and translator) mechanical reproduction royalty shares shall always be deducted from the sub-publisher's share in accordance with the terms and conditions of the sub-publishing agreement.

If the author has received an advance payment from the publisher, and the author has appended a notification to this effect to the sub-publishing agreement registration notification, the combined publishers' share may be as high as 100 per cent. However, this shall revert to the original share once the aforementioned advance payment has been recouped.

11. Sampling works

Sampling works are compilations in which other works or parts thereof can be recorded, adapted and combined in such a way that the result is a new work. Such a work also contains independent parts. The author of a sampling work must obtain permission from the rightholders of the original works for creating a sampling work.

If the author of a sampling work uses a copyright-protected recording, permission from the producer of the recording and the performers appearing on the recording must also be obtained.

The work notification for a sampling work shall include information on all rightholders of the sampling work itself and of all sampled works. The notification shall further specify for each sampled work whether both music and lyrics or only one or the other has been used. In addition to the total duration of the work, the notification shall also indicate what portion of the duration consists of each of the sampled works.

The rightholders may agree between themselves on the division of royalty shares, within the limits of the Division Rules. The division of royalties agreed between the rightholders may be entered on the work notification or, alternatively, submitted as a separate written agreement. Unless otherwise agreed, Teosto shall divide the royalties between the rightholders in proportion to the duration of the parts of the respective works. If the durations of the parts are not given, the royalty shares shall be divided equally between the parts of the respective works.

If the author of the sampling work has not obtained permissions to use the copyright-protected sampled works, the author shall not be entitled to royalty shares. However, the shares of the original sampled works shall be distributed.

12. Notifications to be made to Teosto

12.1. Work notifications

Teosto's members have undertaken in the membership agreement to submit to Teosto the information required for registering works, in a manner specified by Teosto's Board of Directors.

A work shall only be eligible for royalty distribution if an appropriate work notification has been submitted to Teosto. A work notification in accordance with the terms and conditions of the web service agreement must be submitted to Teosto for each work.

Authors of film music and music in commercials shall also submit work notifications on their works.

Works shall be registered in accordance with the work notification, even if one or more of the authors stated on the work notification were not registered in Teosto's database in their author capacity as a composer, arranger, lyricist or author. A change of the author capacity may be made by submitting a separate notification in writing. The author's new capacity shall then be registered in the international rightholder register.

If parts of a work can be performed independently under a separate title, a separate work notification shall be submitted for each such part. In such a case, the work notification must specify which larger work or entity the work is a part of.

A separate work notification must also be submitted for all versions of a work.

If the title of a work is changed after the work notification has been submitted, or if the work comes to be known by a different title, a new work notification approved by all of the authors shall be submitted, indicating both the old and the new title of the work. The work notification must list all the titles by which the work is known.

The author of a work has copyright to the created work on the basis of Finnish law, and the copyright vested in a work is independent of Teosto's registration. Nevertheless, Teosto shall distribute copyright royalties only to its members and only for those works for which the work notification has been submitted.

The work notifications shall be submitted in Teosto's web service, which is subject to the terms and conditions of the service agreement.

If the work notification has been filled in insufficiently, Teosto shall return the notification for correction.

12.2. Work notification and distribution of royalties

The rightholders of a work must submit a work notification in order to receive royalty distributions. It must be submitted, at the latest, when a work has been performed, recorded or published. Teosto can distribute performing right royalties only when the work details have been submitted in the manner described above.

A performing right royalty can also be paid retroactively up to three years.

Teosto shall distribute mechanical reproduction royalties to rightholders in accordance with the decisions of the Board of Directors of Nordisk Copyright Bureau (NCB).

12.3. Other notifications by authors

An author performing own works in concerts or at any other live music events, must submit to Teosto a performance report (see item 1.1), which indicates both the author's own works and the works of others.

An author shall also have a secondary responsibility to ensure that Teosto is informed of publishing agreements signed by the author.

12.4. Notifications on publishing rights

A publisher must submit to Teosto notifications of any publishing agreements, which transfer a part of the author's performing right or mechanical reproduction royalties to the publisher. The agreement details must be submitted via Teosto's web service according to the terms and conditions of the web service agreement.

Teosto requires that publishing agreements shall not be free of consideration and that their terms and conditions are fair. The consideration and fairness of terms and conditions shall be verified if necessary as detailed in Section 13.

If a composition and its lyrics of a work have different publishers, both publishers must separately submit the details of the publishing agreements they have made.

Different versions of the same work shall be covered by the original publishing agreement, and an author may not sign another publishing agreement for versions of the same work without the consent of the original publisher. If the original work has been registered as music in commercial and is later registered in another category and published, the publishing agreement shall not be construed to cover the music in commercial version of the work unless otherwise agreed.

If the author has not yet submitted a work notification to Teosto, the publisher must submit it for the author.

In the case of sub-published works, the publisher must submit to Teosto an original copy or a certified reproduction of the sub-publishing agreement as well as a notification of the sub-published works. A separate notification by the authors shall not be necessary. The notification shall be signed by the sub-publisher.

The publisher must inform Teosto immediately of transfers of publishing rights by submitting a copy of the publishing rights transfer agreement. If required by law, the publisher must also demonstrate that such transfer was carried out with the consent of the authors.

12.5. Submission of the publishing agreement details

The registering of publishing rights and transfers thereof and the distribution shall be carried out in accordance with item 12.2. Retroactive distribution of royalties allocated to the publisher shall also be possible if it is determined that the delay in submitting the publishing agreement notification was due to circumstances beyond the publisher's control.

12.6. Cancelling and amending notifications

A work notification may only be amended for a justifiable reason and by a new work notification submitted by all the signatories of the original work notification. The division of shares among rightholders may only be changed by a mutual written agreement signed by all parties concerned, a copy of which shall be submitted to Teosto. Amendments to work notifications shall not be taken into account retroactively.

If the use permits are to be changed—for instance, by designating an arranger as a co-composer or by changing the arranger's shares—a certified copy of a written agreement between the parties concerned must be submitted to Teosto. Amendments shall not be taken into account retroactively. The work notification cannot be cancelled.

13. Resolution of disputes

Any disputes between rightholders concerning rights to royalties shall be resolved between the rightholders.

An author who is dissatisfied with the implementation of the terms and conditions of a publishing agreement or the said contractual relationship otherwise should primarily contact the publisher to resolve the matter. If the parties fail to reach a resolution, a conciliation procedure provided by Teosto may be employed.

If an author who is party to a publishing agreement claims that the agreement should be moderated or terminated because the agreement involves no compensation to the author or because the terms of the agreement have not been complied with, Teosto shall convene the permanent advisory Conciliation Committee which shall consist of four members. The chairman shall be appointed by Teosto's Board of Directors, and the other members by the Board of Directors at the nomination of the Finnish Music Publishers Association (Suomen Musiikkikustantajat ry), the Society of Finnish Composers (Suomen Säveltäjät ry), and The Finnish Society of Composers and Lyricists (Suomen Musiikintekijät ry).

The Conciliation Committee shall provide an opinion as soon as possible on whether the agreement in question is in compliance with the generally accepted practice in the sector and whether the terms of the agreement have been complied with. The opinion of the Committee shall be unanimous. The opinion must either recommend that the publishing agreement be terminated or conclude that there are no grounds to terminate the contract.

In case the Committee's opinion recommends termination of the publishing agreement, Teosto shall immediately freeze the publisher's share of the relevant royalty distributions for a fixed period of eight (8) months maximum. If the publishing agreement is terminated or the parties agree to amend the terms and conditions of the contract within the said period, documentation on the contents of the new or altered publishing contracts or on any other resolution agreed on between the parties shall be submitted to Teosto by the publisher. Teosto shall unfreeze the aforementioned share and distribute the accumulated royalties in accordance with the said resolution as soon as technically possible.

Unless the parties issue a joint statement to the effect that the dispute has been resolved within the eight-month period or if neither party has filed a legal claim in the matter, Teosto shall unfreeze the aforementioned share and distribute the accumulated royalties to the publisher as soon as technically possible.

If the Committee is unable to reach a consensus, no opinion shall be provided and the case is closed. If the parties reach an agreement before an opinion has been provided or if either party notifies the Committee of a withdrawal from the conciliation procedure, the case shall expire.

A prior opinion provided by the Conciliation Committee shall be without prejudice to initiating a new conciliation procedure. It shall be, however, at the discretion of the Committee to assess whether a new argument or new evidence submitted by the author is cogent enough to start a new procedure.

In case the Conciliation Committee has not been appointed or it is non-functional, Teosto's Board of Directors shall be entitled to provide the parties with an alternative conciliation procedure, in which provisions concerning the Conciliation Committee shall be followed as applicable.

14. Consequences of incomplete documentation and erroneous notifications

If Teosto does not have all the relevant contact information for a member, such as address or bank account details, or if this information is out of date, the distribution of royalties may be compromised.

The consequences of submitting an intentionally erroneous notification are detailed in the membership agreement.