

ARTICLES OF ASSOCIATION – STEF

1. Name and Address

- 1.1 The Collective Management Society is called STEF.
- 1.2 The address and venue of the Collective Management Society are in Reykjavík.

2. Purpose and Tasks

- 2.1 STEF is an open society of authors and copyright holders in the field of music. STEF protects the copyright interests of Icelandic and foreign composers, lyricists, as well as other holders of copyright for musical compositions and accompanying texts, in terms of copyright. The operation of the society is based on the admission of the Ministry of Education, Science and Culture to collect copyright fees, pursuant to the Copyright Act. It works upon promoting and reinforcing innovation and contributing to the growth of music in Iceland. The society does not accumulate assets for its own benefit.
- 2.2 The principal tasks of STEF in accordance with its purpose, as described in Article 2.1, are as follows:
 - A) STEF supports and promotes the preservation and reinforcement of individual copyright through constant vigilance in this field; promotes innovation in the field of copyright law and preserves the existence of those rights with every means at its disposal.
 - B) STEF operates a collection agency which grants permission for music performance on behalf of its members and others, according to the society's admissions from the Ministry of Education, Science and Culture; collects fees for such permissions, and distributes to right holders. STEF is authorised to carry out any and all related tasks, including the initiation of legal action, in order to preserve and protect these interests. The society sets tariffs which are published officially.
 - C) STEF grants permission for the reproduction of music, collects fees for such permissions, and distributes them to right holders. STEF is authorised to carry out any and all related tasks, including the initiation of legal action, in order to preserve and protect these interests. STEF may entrust the Nordic collections agency for reproduction rights, the Nordisk Copyright Bureau (NBC), with the protection of these interests as its agent.

D) With the emphasis on its diverse cultural role, STEF supports the progression of music by, among other things, giving grants. The society also offers counselling and instruction on the value of music and copyright. The society contributes to an increased understanding of the importance that authors receive a fair return for the use of their works.

2.3 STEF is a member of the Collecting Society for Reproduction Rights (FJÖLÍS), the Collecting Society for Private Copying (IHM), and of any other organisation yet to be established for the purpose of collecting copyright fees and other comparable fees, pursuant to the Copyright Act, or other legislation.

2.4 STEF engages in communications with parallel societies representing foreign holders of copyright.

3. Membership

3.1 The members of STEF will be those who make an agreement to that effect with the society, as well as their heirs.

3.2 All members have an equal right to the distribution of copyright fees and grants of STEF, in accordance with the distribution rules and the rules of the funds in question.

3.3 Two author societies are members of STEF and hold a special status in its managerial organisation, as specified further in chapter 4 and 5. These are The Icelandic Composers Society, and The Icelandic Society of Authors & Composers. The societies protect the interests of right holders in collaboration with STEF, but work independently, as well, according to their own articles of association, which shall, however, in no way contradict those of STEF.

3.4 The member societies shall be responsible for having all their members make membership agreements with STEF and provisions to that effect shall be part of their articles of association.

3.5 The members of STEF have the chance to join the member societies, on the condition that they meet their requirements. Should they be non-members, they can nevertheless be elected in the Board of Directors, as well as in the Representative Body, according to chapter 4 and 5.

4. Board of Directors and Managing Director

4.1 The Board of STEF is comprised by seven members of the Representative Body. The chairmen of the member societies of STEF are appointed to the Board without election. Five Board members are then elected at the Annual General Meeting of STEF's Representative Body for a term of two years at a time. At least one member shall be appointed from each member society and no fewer than one shall be appointed from among non-members. Following the election of full Board members, each Board member shall appoint their alternate from among the Representative Body at the Annual General Meeting of the Representative Body.

- 4.2 The Board of Directors elects a chairman and a vice-chairman for a term of two years at a time. They shall not represent the same member society (or one of them shall be a non-member).
- 4.3 Only those who meet the eligibility requirements for election to the Representative Body of STEF, pursuant to Article 5.3, may serve as members or alternate members of the Board.
- 4.4 An independent three-member election board, appointed by the Board of STEF, shall conduct elections, both to the Representative Body, as well as to the Board of Directors, and shall determine in all matters of dispute and uncertainty regarding these elections.
- 4.5 Prior to the election, nominations of candidates for election to the Board shall be solicited. This procedure shall be performed by the election board sending an announcement to the elected members of the Representative Body. They shall notify their candidacy, at least a week in advance. The same applies to those who are candidates as alternate members.
- 4.6 Enclosed with the candidacy announcement shall be information regarding potential conflict of interests between the concerned individual and STEF, including information whether the said individual owes the society any money. The candidate shall furthermore specify all payments received from the society in the past year, including copyright fees, grants, Board member payments, as well as other fringe benefits. As regards copyright fees, it is admissible to specify only the category in which they belong, according to the following:
- a) Income up to ISK 500 thousand
 - b) Income from ISK 500 thousand to ISK 1 million
 - c) Income from ISK 1 million to ISK 3 million
 - d) Income higher than ISK 3 million

The election board shall forward these announcements to elected members of the Representative Body, so they can study them before the Board election.

Sitting Board members shall make sure also to send comparable announcements before the Annual General Meeting is held.

- 4.7 Should there be five candidates for the Board election, they are chosen without election, as it fulfils requirements specified in Article 4.1. Otherwise, a secret election will take place, where every representative shall be given one ballot with the names of the candidates. He/she can check off one to five names on the ballot and, thus, each one receives one vote. Should there be a deviation from the above-mentioned instruction, the ballot is considered invalid, unless it is empty. Should two or more individuals receive an equal number of votes, lots shall be drawn on which one, or who of them is considered duly elected to the Board of STEF.
- 4.8 The Board of Directors directs the activities of STEF in accordance with the decisions of the Representative Body, pursuant to Article 5.11. The Board shall attempt to ensure that the organisation and activities of STEF are always in good and proper order. Board meetings shall be called in writing with a week's notice, upon the decision of the Chairman of the Board, or at the request of three Board members. It is, however, permissible to call a meeting with a shorter notice on a special occasion, should the need arise. The following

Board meeting should then confirm the decisions made at such a meeting. Meeting minutes shall be written at Board meetings.

- 4.9 A Board meeting shall be deemed lawful if attended by more than half of its members. Majority *votes shall govern* at Board meetings.
- 4.10 The Board of Directors shall operate within the frame set by the Representative Body on the following, according to Article 5.12:
- a) Deduction of members' copyright fees, including deduction regarding the Culture Fund.
 - b) Capital gains and asset allocation.
 - c) Asset allocation regarding works of unknown authors.
 - d) Risk management.
 - e) Sale or rent of assets.
 - f) Merger with other societies or companies.
 - g) Establishment of subsidiaries, branches, departments, or joint ventures.
 - h) Loan agreements and hypothecations.
 - i) Acquisition of shares or other investments.
- 4.11 The Board of Directors shall make and publish a transparency report annually, according to provisions of the Copyright Act.
- 4.12 The Board of Directors shall establish operating procedures which stipulate the main projects of the Board, transparency, information accessibility, grants, and operations of the Chairman.
- 4.13 Alternates shall be convened to Board meetings in the absence of full Board members. In such instances they may be convened with a shorter notice than generally applies on calling Board meetings. Should it appear that a full Board member is unable to fulfil his/her obligations for longer or shorter periods of time or should he/she resign their Board membership before the end of their term, the alternate shall take their seat. Care shall be taken, if possible, that the alternate in question is a member of the same member society as the full member, or a non-member, should such be the case.
- 4.14 The Board of STEF recruits the Managing Director of the society, whereas the Managing Director recruits other staff members. The Managing Director runs the daily operations of the society in accordance with the decisions of the Board of Directors and the Representative Body of the society. The Managing Director has the right and duty to attend meetings of the Board of Directors and Representative Body and shall have the right to speak and present proposals at those meetings.
- 4.15 It shall be made sure that the Managing Director has no considerable interests regarding the distributions and grants of the society. The Managing Director shall annually inform the elected representatives whether there are any potential conflicts of interests between him/her and the society; whether he/she is in debt with the society, and if so, and then how much copyright income or grants he/she has received from the society in the previous year.
- 4.16 The signatures of four Board members suffice to obligate STEF.

5. Representative Body

- 5.1 The Representative Body of STEF is comprised by 21 representatives.
- 5.2 The chairmen of STEF's member societies are appointed without election to the Representative Body of STEF. Other members of the Representative Body shall be elected for a period of two years at a time in a general voting which takes place in March every other year. At least five elected representatives shall come from among non-member right holders and no fewer than five shall come from each member society.
- 5.3 All the right holders who have made a membership agreement with STEF and have given the society power of attorney to represent their interests, irrespective of whether they are members of either one of its member societies or non-members, shall have voting rights and eligibility, provided they have received a minimum of ISK 125 thousand from STEF in the past three years. Composers and songwriters, or other right holders, shall control their own voting rights, even though they have transferred their rights to the reception of copyright fees to another party, unless the one in question is a recognised music publisher. A representative of an heir, who is a registered receiver of payments in STEF's bill of rights, shall control the complete voting rights regarding the rights of the decedent. Right holders who have considerable interests as contracting parties of STEF regarding copyright fees, are also not eligible as members of the Representative Body, neither are those who have been found guilty of major copyright breaches or have otherwise transgressed against STEF.
- 5.4 An advertisement for candidates shall be published no later than on the first of February in the election year, and the deadline for declaring candidacy shall be four weeks. If nineteen persons, who fulfil the requirements of Articles 5.2 and 5.10, declare their candidacy by the deadline, they shall be considered automatically elected. If, however, the number exceeds nineteen, the voting shall take place according to Articles 5.6 and 5.7. If fewer than nineteen have declared their candidacy by the usual deadline, it shall be extended by one week.
- 5.5 Candidacy for the Representative Body shall be in writing and sent to the election board.
- 5.6 Right holders control votes according to the following:
- Each right holder, given that he/she has a voting right, controls three votes.
 - If total copyright fees, received by the right holder in the past three years, exceed ISK 350 thousand, the right holder in question controls six votes.
 - If the payments exceed ISK 745 thousand, the right holder in question controls nine votes.
 - If the payments exceed ISK 1,33 million, the right holder in question controls twelve votes.
 - If the payments exceed ISK 2,5 million, the right holder in question controls fifteen votes.

According to this, no right holder can control more than fifteen votes at the voting. Each right holder can vote for one or more candidates. ¹

- 5.7 The election shall be carried out as follows: An equal number of ballots is sent to each right holder, who has the right to vote, to the number of votes he or she controls. The names of the candidates shall be listed on the ballot in alphabetical order, and the right holder shall place an X next to the name of one candidate. He or she shall then place the ballot in an envelope and seal it. The envelopes containing the ballots shall be received by the STEF office within three weeks from the date they were sent out. The election board shall count the votes. If a ballot is received from a person without voting rights; if the ballot is different from the ones that were sent out; if the name of more than one candidate is marked, or if the ballot bears any identifying marks that could indicate who the voter is, the ballot shall be deemed invalid unless it is blank. If two or more candidates receive an equal number of votes, lots shall be drawn to determine which one or who of them shall be considered the lawfully elected member of the Representative Body of STEF. It shall always be ensured, however, that at least three of the seven representatives come from among non-member right holders.
- 5.8 In addition to the election, pursuant to Article 5.7, those who so wish shall be enabled to cast their votes electronically. The Board shall make further decisions regarding the way in which such an election be carried out safely and reliably.
- 5.9 When the results of the election have been determined, those who have been appointed, or elected, to the Representative Body as full members, shall appoint their alternates. The alternates must meet the requirements for Representative Body membership according to Article 5.3, and the alternates for the non-member representatives shall also be non-members of STEF's member societies. An equal gender balance shall be aimed at when appointing the alternates.
- 5.10 The Representative Body holds the ultimate authority regarding the affairs of STEF. The Annual General Meeting of the Representative Body shall replace the common general meeting of the members.
- 5.11 The Representative Body is competent to make decisions, if at least 15 representatives attend the meeting, except for the instances mentioned in Article 5.15. Majority votes shall govern at the meetings of the Representative Body, thus, each representative controls one vote, unless otherwise stated in these Articles of Association. An issue is considered approved if it receives a majority vote.
- 5.12 The Annual General Meeting of the Representative Body shall be held in May of each year. The following issues shall be addressed at the meeting:
1. The report of the Board of Directors and the Managing Director for the previous year.
 2. Approval of the audited accounts of STEF for the previous year.
 3. Announcement of the election of the Board of Directors for the coming operational year; cf. however sub-paragraph 4.

¹ The number of right holders controlling fifteen votes is accordingly one fifth of those who control three votes; the number of right holders controlling twelve votes is one fourth relative to the same group, and so forth: One third controls nine votes of the number of the control group and half controls six.

4. The election of five members to the STEF Board of Directors, however only every other year; cf. chapter 4.
5. The election of two auditors and two alternates for the coming operational year. One of the auditors shall be a member of the Icelandic Composers Society and the other a member of the Icelandic Society of Authors & Composers.
6. The election of the Chairman of the Representative Body, however only every other year, according to Article 5.13.
7. Decisions regarding remuneration to the members of the Board of Directors and other perquisites to them, should they be on offer, as well as payments to auditors and the Chairman of the Representative Body.
8. Other issues.

The Representative Body shall, furthermore, set a framework for the issues listed in Article 4.10 and approve the distribution rules of STEF.

- 5.13 The Chairman of the Representative Body, who is elected for a period of two years at a time, shall not concurrently be a Board member of STEF and he or she shall be responsible only to the Representative Body. Candidacy for the Chairman of the Representative Body shall be declared at its Annual General Meeting.
- 5.14 Other meetings of the Representative Body than the Annual General Meeting shall be called at the decision of the Board, or at the request of the auditors, or five of the representatives.
- 5.15 Should a formal complaint be made that the Board of Directors may have breached STEF's Articles of Associations, it shall be discussed at a meeting of the Representative Body in the absence of the Board, and the votes of those who attend the meeting shall decide the outcome. The Board or individual Board members shall account for their case in writing. The Representative Body can then, depending on the circumstances, cancel the decision of the Board, or declare no confidence in the Board.
- 5.16 The Board of STEF shall call meetings of the Representative Body in writing. The agenda shall be specified in the meeting invitation. The Annual General Meeting shall be called with two weeks' notice. Other meetings shall be called with one week's notice.
- 5.17 Representatives can request that specific issues be put on the agenda of the Annual General Meeting of the Representative Body and such requests shall be received no later than on the first of April each year, regarding the Annual General Meeting of that year.
- 5.18 Elected representatives shall themselves be responsible for calling their alternates to the meetings of the Representative Body, if they are unable to attend the meetings. Should the alternate be unable to attend the meeting, the representative has the authority to give another representative his or her power of attorney to attend the meetings in question. Each representative can only have one other representative's power of attorney. The power of attorney is only considered valid if a form from STEF is used.
- 5.19 The Chairman of the Representative Body shall preside over its meetings, whether he or she is re-elected to the Representative Body, or not. If the Chairman is indisposed, the meeting shall elect a chairman of the meeting.

- 5.20 Minutes shall be taken at the meetings of the Representative Body. No issue, not specified in the call to the meeting, will be addressed without the approval of 4/5 of the attendees.
- 5.21 The Board of STEF shall be responsible for holding an open association meeting in addition to the Annual General Meeting, no less rarely than annually, where the annual report and financial statement of STEF are presented and where it is possible to submit comments with the Board of Directors.

6. Financial Matters

- 6.1 The revenue of STEF shall be disbursed as follows:
- A) The total revenue shall be allocated first towards the payment of public levies, if any, and then towards the payment of the total operating costs of the society.
 - B) A contribution of the remaining amount, totalling 10% of the domestic income, shall be paid to STEF Culture Fund, in accordance with further decisions made by the Annual General Meeting of the Representative Body. It is permissible to distribute capital from that fund, according to each annual decision made by the Annual General Meeting, to the operations of STEF's member societies. The societies shall have an equal right to such distributions, as the capital is disbursed to comparable operations. All capital allocations from the Culture Fund shall be transparent and specified in the financial statement of the society. The member societies shall also make a special report upon the disposal of received funds.
 - C) The remainder shall be divided among those holding the performance rights for the works for which STEF collects copyright fees, in accordance with the rules set by STEF, pursuant to the rules of parallel societies in countries that are parties to the Berne Convention. In the interest of efficiency, these rules may provide for a simplification of the rules for distribution to Icelandic and foreign right holders, in accordance with established custom in such matters.
- 6.2 Comments concerning copyright fees from STEF shall be sent to the office of the society within three months of the date the notification of distribution was sent to the right holder. The society is not obliged to consider comments regarding distributions received after that time.
- 6.3 The financial year of STEF shall be the calendar year.
- 6.4 The financial statement of STEF shall be audited each year by a chartered auditor and sent to its elected auditors, who shall then send the financial statement to the Board of Directors with their comments. The financial statement is then submitted to the Annual General Meeting of the Representative Body for approval, together with other accounts of STEF. The Representative Body members who so request can receive a copy of the financial statement, the day before the Annual General Meeting.
- 6.5 The approved financial statement of STEF shall be accessible on the website of the society.

- 6.6 Grants from funds related to STEF, including funds based on agreements between STEF and other parties, shall be disbursed in accordance with the nature and objectives of the projects concerned, irrespective of their grantee's membership. The grants shall be disbursed on professional grounds.
- 6.7 When nominating for committees under the auspice of the society, including distribution committees for grants, care shall be taken to keep an equal gender ratio, to the extent possible. The same applies to nominations for boards and councils outside the society.

7. Membership Agreement and Treatment of Complaints

- 7.1 With the signature of a membership agreement with STEF, the author or right holder assigns STEF the protection of his or her interests and collection of right holders' fees, as further specified in the agreement. That member of STEF, furthermore, pledges to follow STEF's Articles of Association and distribution rules, as they are at each time. Amendments that are made to the membership agreement shall oblige all members, as of the date the changes come into effect.
- 7.2 The membership agreement shall specify the supervision of which rights category and area that member assigns to STEF. The Board of STEF shall decide upon the rights categories with regard to what can be carried out advantageously at each time. Information, regarding the rights categories, shall be published on the website of STEF. The Board of Directors has the authority to decide that the members who do not wish to choose all the rights categories pay a higher surcharge to STEF than others, and that it should then be collected as an annual fee. A higher surcharge shall not be paid as long as STEF handles the servicing of all rights categories in Iceland. Should the Board decide to make amendments to the rights categories, all members are considered to be bound to the amendments in question.
- 7.3 A member of STEF can resign from the society (or from individual rights categories, according to Article 7.2) with a written announcement to that effect. The resignation comes into effect at the end of that financial year which ends at least six months after the resignation is received by the society.
- 7.4 The exception applies regarding the membership agreement with STEF, that right holders can themselves grant permission for the use of their works, when the performance in question is not considered for profit purposes. Such permissions only apply to specific works and specific use, and the right holder in question shall report the authorisation to STEF, no later than 10 days before the performance, or publication of the work. All co-authors' approval of the works shall be guaranteed. This definition is bound to the limitations that this is a collection for specific charities, or well-defined educational work, and, furthermore, a confirmation is required that other parties to the project are also giving their work for free using.
- 7.5 STEF shall answer in writing complaints made by members. If the concerned members are dissatisfied with the way in which their business with the society is handled, they can remit

the affair to a complaints board consisting of three members, appointed by the Board of Directors.

8. Amendments to Articles of Association

- 8.1 These Articles of Association, the rules of STEF regarding the distribution of copyright fees, as well as the administrative structure and objectives of the funds, according to Article 6.6, may only be amended at an Annual General Meeting of the Representative Body, attended by at least 50% of representatives, provided 3/4 of attendees approve the amendment. A proposed amendment to the Articles of Association that receives 2/3 of votes cast at the Annual General Meeting, shall be considered approved, if that same motion is presented at the Annual General Meeting one year later, also receiving 2/3 of votes cast at that meeting. Otherwise, the motion shall be considered defeated. The amendment to the Articles of Association shall come into effect as soon as it has been approved, according to the above-mentioned.
- 8.2 STEF shall therefore be dissolved only if the dissolution is approved at a meeting of STEF's Representative Body, in accordance with the rules specified in Article 8.1. Then, that meeting shall disburse the assets of the society and make other necessary arrangements pertaining to its dissolution. The assets of the society shall revert to a specific charity fund in support of Icelandic music. Should no such fund exist, measuring up to the above-mentioned requirements of the meeting, it shall be established.
- 8.3 These Articles of Association shall take effect forthwith.
- 8.4 Temporary provision. Aside from the provision of Article 8.3, the provision concerning election arrangement is postponed and shall come into effect for the first time at the election to the Representative Body and Board of Directors in the year 2020.

Approved at the Annual General Meeting of STEF on May 16th in 2009, with amendments made at the continuation of the Annual General Meeting of STEF on October 15th in 2018.