

Distribution Rules of STEF

Article 1

The royalties that STEF - *The Composers' Rights Society of Iceland*, shall pay to composers, lyricists, and other right holders for the performance of works of music, shall be distributed according to the Icelandic copyright law and the following rules.

Article 2 - General Principles of Distribution

STEF collects royalty fees for the performance of works of music. Operating expenses and an approved contribution to the *Culture Fund* of STEF are deducted from these fees. The remaining amount is distributed to right holders retroactively, based on the performance of their works of music during the year in which the fees accrue.

Account shall be taken to the following views when distributing royalties as appropriate:

1. The cost of collecting royalty fees according to the last confirmed annual financial statement. Exceptions to this principle are the following:
 - 1.1 STEF calculates 10% administrative expenses due to collected income of performances.
 - 1.2 STEF calculates 3% administrative expenses due to collected income from foreign sister societies.
 - 1.3 STEF calculates 3% administrative expenses due to income from international streaming services.
2. The proportion of protected music in the material performed, e.g., in a program broadcast by a radio station, or at a concert, so that higher payments are distributed according to a higher proportion.

Article 3 - Contribution to the *Culture Fund* of STEF

The *Culture Fund* of STEF supports the progress of Icelandic music, in accordance with provisions of STEF's Articles of Association. Contributions to the *Culture Fund* of STEF may amount to a maximum of 10% of collected royalty fees, less expenses, as decided at the Annual General Meeting of STEF each time.

Article 4 - Stage Performances – Grand Rights

To the extent in which previously released music is used in stage performances, distributions shall be made in proportion to the royalty fees which are collected from each theatre, or those parties who put on stage performances and the submitted music reports.

According to membership agreements of STEF with the members, STEF does not have the authority to negotiate on their Grand Rights and, thus, STEF does not distribute to authors regarding such use. It is exclusively in the power of the songwriters themselves to negotiate on the performance rights of works pertaining to Grand Rights.

The concept *Grand Rights* refers to works of music which have been composed specifically for a play, such as a theatrical work, opera, musical, ballet, or dance work. In this context, a theatrical work is considered to be a work with some kind of plot and/or characters. In most such instances, the right holder of the stage work holds the right to negotiate on its production, or other use and, and thereby the music in the work, and is therefore responsible for the songwriters in protecting their rights.

The distinction between whether a production is considered to pertain to Grand Rights or not, depends on whether the musical work is performed with costumes, stage design, and dramatization referring to the original stage work. STEF's license regarding music in a stage work does, however, not include a license for the use of the brand of the original stage work, film, or e.g., names of famous artists.

If a work of music, which is a part of a stage work and Grand Rights, is performed as a part of another stage work than the one for which it was originally composed, or if it is performed at a concert, it is not considered to be Grand Rights and thus, STEF authorizes the performance and distributes according to tradition for works performed at a concert, or a work performed in a theatre, as the work, or its parts, is registered at STEF.

If the music of the stage work has been released as a record, or as a sound- or artwork, a special license for the performance of the work in their media is not required, providing the parties involved have the authority of STEF for public performances and thus, distributions for such performances are made in the same way as for the performance of other television- or radio performances, or e.g., performance in movie theatres, relay or VOD services. This also refers to unrecorded works, providing the concerned party, who performs the work in public, has the authority to perform the work. In all these instances, STEF distributes for the performance as it does for other performances in the media in question. The same applies if a part of a stage work, which is considered pertain to Grand Rights, is part of a program or documentaries broadcast on television.

If the work in question is performed abroad, it depends on the rules of the composers' rights societies in the countries in question whether its performance is considered to pertain to Grand Rules or not.

Article 5 - Distribution Categories

Royalty payments, pursuant to Article 2, shall be distributed in as close compliance with the fees collected for the performance of each work of music as possible. Distribution of royalties is made by the following categories, as further stipulated in Article 5:

1. Music on radio.
2. Music in television.
3. Concerts.

4. Dances and other gatherings with live performances.
5. Background music, such as in restaurants and stores.
6. Music during church ceremonies, including funerals.
7. Music in cinema.
8. Music during theatre performances.
9. Music on the internet, including streaming and downloading from streaming services.
10. Song books.
11. Copying.
12. Synchronisation.
13. Private copying from IHM.
14. VOD streaming services (Including TVOD – Transactional Video On Demand and SVOD – Subscriptional Video On Demand).¹
15. **Première** performance.

STEF can outsource back-end processing and co-utilization of specific distribution categories to a third party, according to need at each time.

A further account of the largest distribution categories will be made below.

Article 6 - Distribution Based on Available Information

The distribution of royalties is based on the information about the performances of works of music submitted to STEF, or which the society collects in another way and its co-utilization with the database of STEF. The major clients of STEF shall supply detailed music reports of their music performances, according to their agreements with STEF. Due to reasons of feasibility and cost, information about performed works of music is not requested in all instances.

6.1 Radio and Television

The distribution of royalties for performances on radio and television is based on the royalties which are collected from each radio and television station and reports of public performances according to agreements between STEF and the respective company. Distributions shall be made, especially for performances in each and every radio or television station and – according to what is appropriate – each and every radio and television channel. In the instances where the same client operates both a radio and a television station, the distributions shall be divided in such a way that 80% of the royalty payments are distributed regarding radio and 20% regarding television.

In the instances where the same client operates more radio stations, or more television stations, distributions shall be divided in such a way between the stations that 30% of the royalty payments apply to the amount of music performed on the station and 70% according to radio or television ratings.

Distributions for theme music of a program are made in the same way as for other musical performances in the respective programs, irrespective of whether the music is an original composition or previously released. If a program is broadcast daily or more often, then the theme music pertains to the category of a *program theme*. This applies e.g., to themes which are performed before and after commercials, news themes and themes of the respective television or radio station. A distribution of 2.5% of the total distribution fee from the respective client shall be made for such themes, divided between individual

¹ TVOD stands for Transactional Video On Demand, which means interactive video and television media on-demand (most often for a fee) and SVOD stands for Subscriptional Video On Demand which means subscription service of video and television material on-demand.

media or stations, if more than one media is involved, according to the above rules on the division of distribution fees between media.

STEF does not distribute for the publication of commercials on radio or television.

If radio or television broadcasts take place within a limited geographical area and the collected royalty fees insignificant, the distribution shall be based on the music reports submitted to STEF by other similar stations.

Distributions cannot be made regarding film- and television material produced in Iceland, unless a so-called Cue Sheet has been delivered to STEF on the music in the respective program or film.

6.2 Background Music

When STEF receives little, or no information about which works of music have been performed, e.g., as background music, the principle regarding royalties is to distribute in accordance with the performance of music elsewhere, such as on radio, or from streaming services. This applies if the music performance in question is considered to be similar to the performance in other media.

If such a comparison is considered impossible, the respective royalties shall be distributed proportionally with regard to the total distribution of the previous year. If further information can be accessed on the performance of music pertaining to this category, without unreasonable cost, by using a sample of performed works of music, the distribution pertaining to these categories can also be based on such information. Distributions in these instances shall be in as much accordance with real use of music as possible.

The Board of STEF decides on the norms regarding the distribution of background music within the above-mentioned framework.

6.3 Live Music Performance

The distribution of royalties for live music performances is based on the collection of royalty fees of each individual concert and the music reports which the concert promoters and/or respective artists, or right holders submit to STEF. In those instances where STEF has signed an agreement with a concert venue, which pays a fixed amount of royalty fees a year, and royalty fees of each individual event are insignificant, the distribution is based on music reports submitted to STEF on the performance of music at the respective venue, as a proportion of the average number of concerts. The same rule is used regarding music festivals where the distribution is proportioned with regard to the average number of concerts or items at the festival in question.

If the concert in question is named by one group, or performer and the audience is larger 1.000, 90% of the royalties of the concert shall be allocated to the right holder of the music performed by the respective group or performer. The right holders of music performed by other groups or performers, such as opening bands, receive 10% of the concert royalties.

For other events, such as annual celebrations and school festivities, where live music performances take place, the distribution is based on the average member of guests (larger and smaller festivities according to the tariff of STEF) and that a total number 35 of songs is performed as such a festivity.

Article 7 - Première

A special distribution is made for the première of a work. A première refers to any kind of a new work which the members of the society have registered, and which has been proved to have been premiered in the country. In this connection it makes no difference in which media the work has been premiered, or whether it has been premiered at a concert. A première also refers to the members of foreign composers' rights societies who possess new works which have been world-premiered in Iceland. An author is responsible for reporting the première to the office of STEF.

Article 8 - Registration of Music Works

Right holders inform STEF of their works, and they shall be registered in the data base of the society, according to the information enclosed with the announcement. A piece of music is only qualified for the distribution of royalties if the appropriate information on the work has been registered.

The registration of a work of music can only be changed by sending new information, signed, or verifiably approved by all those who signed the original information, or were announced as its authors or by the right holders.

Copyright of a work is independent of STEF's registration of a work of music.

STEF does not accept any responsibility and provides no guarantee against a harm a member can suffer in relation to the distribution of royalties, or through the protection of copyright which can be traced to wrong, or insufficient information about a work.

Article 9 - Split of Royalties between Right Holders

The royalty of each work shall be divided into percentages. Authors can negotiate on the division of royalties between themselves and thus, the table below only shows norms on the division by which authors can be guided. In certain instances, the share is not negotiable, and the table below reveals the highest share which an arranger is authorized to receive. This also applies in those instances where a part of the work (either work of music or song lyrics) does not enjoy protection, then restrictions are set regarding the maximum share of the author who adds to such a work (either a new composition or new lyrics).

When a work is said to be without protection it also applies to the instances where an author is unknown.

	Composer	Lyricist	Arranger
Work of music without lyrics	100%	-	-
Work of music and lyrics written at the same time*	50%	50%	-
Work of music written to previously existing lyrics	66,67%	33,33%	-
Work of music written to previously existing lyrics, if the lyrics do not enjoy protection	66,67%	-	-
Lyrics written to a previously existing work of music	50%	50%	-
Lyrics written to a previously existing work of music, if the work of music does not enjoy protection	-	50%	-

Arranged Works:

Arranged work of music without lyrics	83%	-	16,67%
Arranged work of music and lyrics written at the same time*	33,33%	50%	16,67%
Arranged work of music written to previously existing lyrics	50%	33%	16,67%
Arranged work of music written to previously existing lyrics, if the lyrics do not enjoy protection	50%	-	16,67%
Arranged work of music without lyrics, if the work of music does not enjoy protection**	-	-	16,67%
Lyrics to an arranged work of music if the work of music does not enjoy protection but the arrangement does	-	50%	16,67%

Composite Works (Folk Song and New Work)*:**

	Composer	Lyricist	Folk Song	Arranger
Work of music and folk song without lyrics	50%	-	(50%)	-
Work of music and folk song with folk lyrics	33,34%	(33,33%)	(33,33%)	-
Work of music and arranged folk song without lyrics	50%	-	(33,33%)	16,67%
Work of music and arranged folk song with folk lyrics	33,34%	(33,33%)	(16,67%)	16,67%
Folk song with new lyrics	-	50%	(50%)	-
Work of music and folk song with new lyrics	33,34%	33,34%	(33,33%)	-
Arranged folk song with new lyrics	-	50%	(33,33%)	16,67%
Work of music and arranged folk song with new lyrics	33,34%	33,34%	(16,67%)	16,67%

* The wording “written at the same time” means that a new work of music and a work of music and lyrics, which have not been released before, are released or performed together.

** This refers to what is usually called *folk songs*, but also applies to other works, which do not enjoy royalty protection, such as regards the age of a work.

*** This refers to when a new work is added to a folk song in such a way that it becomes a new work of music, with or without an arrangement of the folk song, with the result that a considerable part of the composite work includes a new composition. The same demand is made regarding new lyrics. This table sets the minimum share that a folk song or folk lyrics enjoy.

Percentages shown within brackets means that what is involved is a calculated size of a work, which is not disbursed, as the respective part of the work is does not enjoy protection.

Note should be taken that when a new work of music, or new lyrics are written to a new work of music or lyrics, protected by copyright, the authorization of the author is always requested, irrespective of it being the lyricist or the composer.

Article 10 - Arrangements

At the registration of shares to an arranger, it is assumed that the arrangement satisfies the minimum requirements on arrangements. This involves that the arranger has submitted an independent and original contribution to the original work. STEF reserves the right to assess the contribution of the arranger in this respect and change or abolish the registration of the arranger’s share accordingly. In *Appendix 1* to these rules, further instructions regarding the arrangements can be found.

Article 11 - Distributions to Members of other Composers' Rights Societies

Distributions of royalties to right holders, who are members of the sister societies of STEF abroad, shall be made in accordance with the mutual agreements which STEF has made with the respective societies. STEF shall endeavour to do so in the most efficient way possible and the Board can decide to outsource this part of the distribution to a third party, such as other foreign sister societies. The same rules apply to that distribution as to the distribution to right holders who are members of STEF. Distributions to foreign right holders shall take place at least once a year.

Article 12 – Distribution of Royalties from Foreign Composers' Rights Societies

Foreign composers' rights societies that manage the interests of right holders within STEF, according to mutual agreements, manage the distribution of royalties to STEF for Icelandic music which is performed in their district. The timing of these distributions varies according to each composers' rights society, but in principle, STEF distributes the income received by the society four times a year.

Article 13 - Unknown and Unregistered Works

STEF does its utmost to identify works of music of whose performance it is informed. It is done by comparing reports to the database of STEF, both automatically and manually. If the work of music is still unknown, the following process ensues:

- a. If the author is known, they are contacted, and the work registered.
- b. In the instance that no correspondence is found, the unknown work of music is added to a list of unknown pieces of music. All works of music are added to the list when they have reached a minimum amount of distribution. The list is published on the website of STEF and updated regularly.

Royalties for the use of unknown works of music and royalties which are kept behind, due to the minimum rule stated in Article 14, are distributed proportionally to the right holders of known works of music.

Article 14 - Disbursement of Royalty Payments

STEF distributes royalty payments as soon as possible, if all necessary information regarding the distribution has been submitted. Royalty payments shall be deposited in a bank account according to instructions of the respective right holder.

There is no minimum of the amount of royalties, but the Board is authorized to set such a minimum if necessary.

Comments regarding distributions need to have been submitted within three months of the distribution date, otherwise the right holder is considered to have approved the distribution.

If, for some reason, it is not possible to distribute to a right holder for the performance of music, such as if a registration has not been submitted, the registration is wrong or defective, or if there is a disagreement regarding the royalty of the respective work, the right to distribution becomes void in two years from the date on which the distribution could have taken place, if the defects that stand in the way of the distribution are not redressed within that period of time.

If more than one right holder is involved, as in the instance of the heir of a composer or lyricist, the payments shall be distributed to a common procedural representative. The respective right holders are responsible for submitting information to STEF about the identity of their procedural representative. If such information is not submitted, the payments become void in the same way as other payments which are unable to be delivered.

Article 15 - Taxation

STEF shall retain the tax of royalties in accordance with the law at each time. STEF shall retain cash payment of the capital tax of the royalties to individuals and return it to the state treasury. Legal entities shall pay tax of royalties, along with other income they receive, in such a way as applies to their legal form.

Article 16 - Disagreement

If there is any disagreement regarding the interpretation of these distribution rules between STEF and the members of the society, the respective member can refer the disagreement to a three member complaints board which shall be appointed by the Board of STEF.

Article 17 - Validity

These rules supersede older rules of distribution from the year 2011 with later amendments. They came into force as of their approval at the meeting of the Representative Board on May 25th, 2022.

Appendix 1 - Instructions on Arrangements

It is a basic principle on the protection of intellectual property that the protection only extends to independent, artistic creation. Thus, rights can never be gained for imitations, or an extension of what others have created. Arrangements are therefore assessed according to what they add to the original work. Most expansions being made of individual works do NOT pertain to independent, artistic creations, but can instead be compared to varyingly complicated and extensive handiwork.

Arrangements for individual instruments, or small groups, thus only gain, other things being equal, an arrangement share, if an independent, artistic creation, with reference to the original work, is involved and what has been done exceeds what is required in order to perform the work with the presupposed instrumentation and voices. Various other issues are important in the assessment of the arrangement, e.g., whether the harmony is in accordance with the prevailing tradition within the style in which the arrangement is made, or whether it is considered original and through-composed and fundamentally different from what tradition says regarding the harmony and melody of the original song.

If the arrangement fulfils the conditions regarding independent and artistic creation, it can become the basis of the royalty distributions from STEF, according to the respective valid rules of the society. A distinction is made between the arrangement of folk songs (and other unprotected works) and the arrangement of works protected by copyright.

It is a fundamental issue regarding the arrangements of protected works to have the authorization of the composer (right holder) for the arrangement, as the arrangement is considered to be a change of the original work. Such an authorization does, however, not need to include the composer's assignment of the share in royalties regarding the work, as an agreement can be made on that by composers and arrangers. The same applies if the composer asks for their work to be arranged.

If the composer agrees that the arranger acquires a share in an older work of music, a new work is in fact created in the data base of STEF, with a different division of the copyright from the original work. It is good to keep in mind that if the original work has been assessed by the assessors of STEF to belong to a higher category than the general one (see further information on the website of STEF on the categorization of music works), the assessment does not automatically apply to the new arranged work, so that a new assessment needs to be requested for it in a new arrangement. A new categorization of a work with a new arrangement, thus both applies to the contribution of the original composer and the arranger.

As regards the arrangements of folk music (or works which are no longer protected) the arrangement automatically pertains to the general category. The rules regarding the arrangement of folk music (according to the associated table) state that at the registration of such arrangements at STEF, the arrangement is assumed to fulfil the minimum requirements regarding arrangements. Arrangers can request the assessment of assessors and a new categorization of the arrangement of a folk song. It is worth considering in this connection, that assessors can possibly reach the conclusion that an arrangement does not fulfil the conditions on maximum share (as stated in the rules). Such a conclusion leads to the rejection of the arrangement at STEF.