

## General policy on deductions from rights revenue (including 'cultural contributions') and from any income arising from investments of rights revenues, as recommended by Koda's Board for the General Assembly's adoption on 29 April 2019

### 1. General policy for deductions for administrative expenses

Koda deducts an amount from the collected rights revenues to cover its administrative expenses.

*According to the Danish Collective Rights Management Act, based on EU's CRM Directive, deductions for administrative expenses may not exceed Koda's reasonable and documented costs associated with the management of rights.*

Such costs include Koda's overall activities associated with the management of rights, including licensing, distribution, work documentation, staff functions and general operations.

The resources demanded by individual areas and the processing associated with those areas must be in reasonable proportion to the revenues generated within the relevant individual areas or specific events.

Different revenue areas incur different levels of administrative expenses. To reflect this, Koda may apply different deduction rates for administrative costs in accordance with separate types of music usage, calculated within each separate distribution areas, to reflect the overall level of the costs incurred the given areas.

The principles of such differentiation must be described in the Transparency Report, and the annual rates must be stated in the section on 'Revenues and deductions' in the annual Transparency Report.

### 2. General policy for deductions for cultural contributions

Koda deducts an amount from the rights revenues collected to be used for cultural contributions.

*Article 18(b) of Koda's Articles of Association state that out of the net income (after deductions for administration costs) "10 % is set aside for cultural purposes every year, including cultural-political work, projects and development, all within the musical area, in the following referred to as "cultural funds" ... Koda's board may in specific cases decide to set aside another percentage in relation to foreign affiliated societies or within special areas of exploitation, if necessary for competitive reasons."*

No deductions for cultural contributions are made in revenues generated abroad, from mechanical rights or KulturPlus (blank media levies).

According to the Articles of Association, the annual General Assembly must, when deciding on the general policy on deductions, also decide on the matters listed under items a-c below:

#### **a. The relative shares of the cultural contributions to be managed by Koda and by the Organisations, respectively**

The General Assembly approved the proposal from the Board of Directors, stating that the shares of cultural contributions should continue to be divided as follows:

28,8 per cent is managed by Koda. This includes a number of jointly managed pools and the shares generated on the Faroe Islands and in Greenland, which are set aside for use on the Faroe Islands and in Greenland in accordance with specific rules pertaining to Faroese and Greenlandic Koda members.

71,2 per cent is managed by the Organisations<sup>1</sup>, who will determine the further division and distribution of the cultural contributes among themselves.

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<sup>1</sup> As defined in Koda's Articles of Association, article 7 (2).

**b. The relative shares of cultural contributions to be used for grants or project support, and the shares to be used for cultural purposes.**

The General Assembly approved the proposal from the Board of Directors, stating that the relative shares, in per cent, allocated to the individual purposes should be set as follows:

65-75 per cent of the cultural contributions after deductions for administrative expenses, cf. subsection c below, shall be used for grants or project support.

10-20 per cent of the cultural contributions after deductions for administrative expenses, cf. subsection c below, shall be used for cultural purposes, including cultural politics.

**c. The relative share of cultural contributions that may be used to defray administrative expenses by the Organisations**

The General Assembly approved the proposal from the Board of Directors, stating that the Organisations may spend a maximum of 15 per cent of the cultural contributions on the administration of said contributions.

**3. General policy for deductions in any revenues generated from the investment of rights revenues**

As regards revenues generated from investments made using rights remuneration, deductions for cultural contributions are made. However, no deductions for administrative expenses are made.

Unofficial translation Danish version prevails