

## **POLICIES OF SPECIAL DEDUCTIONS AND OTHER PROVISIONS FROM THE COLLECTED ROYALTIES**

Policies of Special Deductions and Other Provisions from the Collected Royalties of NNLP Collective Management Organization – Intellectual Property Owners Association (hereinafter referred to as the Association) (hereinafter referred to as the Policies) provides the regulations, rules and procedures ensuring relevant deductions from the royalties and/or other amounts received by the Association and their distribution in a manner provided for by the law. The Policies ensure compliance with the principles of transparency, consistency, fairness and equality, in administration of the copyright and related rights, The Policies shall be applicable to the Association’s rightsholders. Association provides information about special deductions and other provisions specified by the Policies to the rightsholders. Rightsholders – members of the Association agree with the Policies, as the part of the terms and conditions of their membership and management of their rights.

### **1. Goal and scopes of the Policies**

1.1 Goal of the Policies is to develop fair and transparent framework for special deductions and other provisions from the collected royalties and other incomes that, in turn, ensure equal and fair distribution of the collected amounts to the rightsholders and other persons.

1.2 Policies shall be applicable to all royalties and other incomes, receiving of which is provided by the Association, from the issued licenses and/or in other cases provided for by the legislation.

1.3 Policies regulate the issues of the rights’ management fees, special deductions and other provisions, from the amounts collected by the Association from use of the copyright and related rights and within the scopes of the authorities provided by Georgian legislation and/or accreditation.

1.4 Deduction covers the administrative, operational and other expenses related to the management of rights and distribution of the royalties and/or other amounts.

1.5 In the event of delay in receiving the royalties and/or other incomes from the users, Association shall take all required measures. Any unidentifiable royalties shall be either deposited on the separate account or taken into consideration in further distribution of the royalties.

### **2. Definition of terms**

2.1 Service management fee – relevant percentage of the royalties collected by the Association intended to cover the expenses related to management of the copyright and related rights by the Association. This includes Association’s administrative, operational and other service expenses.

2.2 Royalties – incomes received from use of the compositions or other objects protected by the copyright and related rights by any person, collected by the Association in case of issuance of the licenses and/or other cases provided for by the legislation.

2.3 Deductions – any expenses, among them, the rights management fees and other expenses deducted by the Association from the collected royalties and/or other incomes, by the procedures provided for by the law, before distribution to the rightsholders.

2.4 Operational and administrative expenses – Association’s necessary and reasonable expenses for management of the Association, licensing and exercising of the authorities provided by accreditation to the Association. This includes, but not limited to, legal expenses, technology, infrastructural expenses personnel costs and royalties’ distribution fees.

### **3. Rights’ management fees**

3.1 Rights’ management fees amount to 20% of the royalties collected by the Association. The above shall be limited to payment of the administrative and operational expenses and is intended for management and protection of the rights.

3.2 Rights’ management fees shall be distributed over the Association’s expenses, such as expenses related to licensing and collection of the royalties, technology and infrastructural expenses required for the rights’ management and collection and distribution of the royalties, office and administrative expenses etc.

3.3 Service management fees are calculated on the basis of the total royalties collected by the Association before deduction of all taxes and/or other expenses and/or other deductions.

3.4 Beyond grounded and confirmed expenses made for management of the rights by the Association, with the exclusion of the amounts intended for the special funds, Association shall distribute to the rightsholders even if the expenses for the rights' management are less than 20% of the collected royalties.

3.5 Structure of the rights' management fees is subject to annual revision. Association shall be entitled to make changes in the rights' management fees to adjust to Georgian legislation.

3.6 Changes related to the rights' management fees, upon relevant decision, shall be published with the Association's website.

#### **4. Provisions for the special funds**

4.1 Part of the royalties collected by the Association is used by the Association for operation of the special funds intended for support of creative and social needs of the holders of copyright and related rights, in whose interests the Association acts.

4.2 For the special funds established by the Association, part of the royalties is deducted for the incentives supporting arts, education and culture and/or for the providing social benefits and financial support to the rightsholders in need (e.g. support to the elderly or disabled rightsholders).

4.3 Terms and conditions of the deductions under this Section shall be regulated by the Association's charter and regulations established by the special funds.

#### **5. Deductions at distribution of the royalties**

5.1 Deductions to be made for distribution of the royalties include:

- Commissions: expenses related to individual transfer of the royalties to the rightsholders. In particular, fees for bank and related payment system services.
- Commissions for currency exchange: for distribution of the royalties abroad, are deducted for conversion of Georgian national currency into the foreign currency. Deduction shall be provided at official exchange rate of the National Bank of Georgia on the date of transfer.

#### **6. Deductions for taxes**

6.1 Association shall deduct taxes provided for by Georgian legislation from the collected royalties, before their distribution according to the procedures established by Georgian legislation.

#### **7. Audit and transparency**

7.1 Upon completion of each financial year, but no later than within 8 months from the end of the financial year, Association shall draw up annual transparency report and make publicly available it on its website.

7.2 Association, according to audit request, shall provide all required and necessary documentation on collection and distribution of the royalties, for transparency and accuracy.

7.3 Association submits the transparency report prepared by the auditor to general meeting of the Association members for approval. Such report, in addition to the other information, shall contain the following:

- Financial information about rights' management fee and other services provided by the Association to the rightsholders. This information shall detail at least the following issues:
  - All financial expenses made by the Association for management of the rights by rights and categories of rights managed by the Association;
  - Any indirect expenses that do not belong to the one or more rights' category, shall contain description of the method of distribution of these expenses;
  - Any financial costs, among them, expenses for social, cultural and educational services;
- Detailed information about use of the amounts deducted for social, cultural and educational services that shall contain amounts deducted for social, cultural and educational purpose and information for each purpose for the year.

- Information about relationships with the other similar organizations that shall include, at least, the following information:
  - On the rights' management fees from the royalties collected for the other similar organization, by the rights and categories of rights, types of use and organizations;
  - Rights' management fees from the royalties collected and transferred by the other organizations for collective management of the property rights, by the rights and categories of rights, types of use and organizations (if any);
  - Detailed information about spending of the amounts for the social, cultural and educational services that shall contain amounts deducted for social, cultural and educational purposes for the year and type of purpose of each of them.

## **8. Revision and adjustment of the Policies**

8.1 Association shall periodically revise the Policies, to ensure compliance of the rules of special deductions and other provisions with the principle of fairness and proportionality principles. On the basis of the above, Association shall be entitled to make relevant changes to this document,