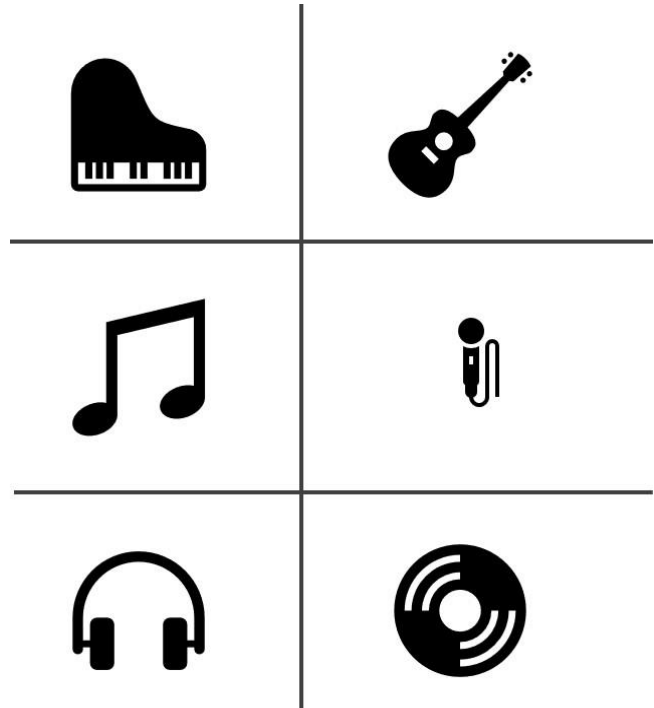


PPCA Distribution Policy



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ACN 000 680 704 ABN 43 000 680 704

LEVEL 4, 11-17 BUCKINGHAM ST, SURRY HILLS NSW 2010
PO BOX Q20, QUEEN VICTORIA BUILDING NSW 1230
T. 02 8569 1133 F. 02 8569 1183

distribution.mail@ppca.com.au

www.pcca.com.au



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PPCA Distribution Policy

1. Introduction

Phonographic Performance Company of Australia Limited (**PPCA**) is a non-profit organisation established in 1969 by Australian record companies. We are authorised by the copyright owners or the relevant copyright holders to issue licences for the broadcasting, communication and public performance of copyright protected sound recordings and music videos. The exact nature of the rights granted to PPCA for this purpose are set out in the PPCA Input Agreement. In the majority of cases, the copyright holder will be a record company that produces sound recordings and music videos, or another company that is a licensee or distributor for such a record company. In some cases, however, the copyright owner may be an individual who produces and self-distributes sound recordings and music videos.

PPCA's Distribution Policy explains how we collect licence fees for the use of sound recordings and music videos, and how we allocate and distribute payments to Registered Artists and to PPCA Licensors who have authorised PPCA to issue licences on their behalf.

2. Legal Background and Who Does PPCA Pay?

Under the *Copyright Act 1968* (the **Copyright Act**), the owners of copyright in sound recordings and music videos have certain exclusive rights in relation to that material, including the rights to:

- make a copy of the sound recording;
- cause the sound recordings or music videos to be seen and/or heard in public (the **public performance** right);
- **broadcast** them; and
- transmit them by a range of other electronic means, including by making them available on the internet and via mobile networks (the right to **communicate**).

Generally, a person needs permission (usually in the form of a licence) from the copyright holder to do any of these acts in relation to a sound recording or music video that is protected under the Copyright Act. If a person does any of these acts without a licence, they may infringe the copyright in the sound recording or music video.

The copyright holders can grant permission for public performances, broadcasts and other uses of the protected sound recordings and music videos they own or control. In many instances, the copyright holder will license these activities themselves (for example, in relation to digital downloads and the manufacture and sale of CDs and records). However, in other instances, the copyright holders authorise PPCA to license certain rights on their behalf. Under the PPCA Input Agreement that is signed by each participating copyright holder (referred to as 'PPCA Licensors' in this Distribution Policy), PPCA is authorised on a non-exclusive basis to grant licences to organisations and individuals to do some of these acts, and to collect licence fees in return. In addition, PPCA also makes direct payments to Registered Artists in accordance with the Artist Direct Distribution Scheme.

3. Types of PPCA Licences

PPCA is able to issue licences to organisations and individuals in the following broad categories:

Public performance of sound recordings	<p>These licences are issued for commercial and other activities that involve the public playing of sound recordings.</p> <p>These range from theatres, dance studios and fitness centres to pubs, clubs, hotels and bars, and offices, professional premises, cinemas, shops and chain stores. It also includes licences for the public performance of sound recordings at events, concerts and festivals.</p>
Public exhibition of music videos	<p>These licences are issued where music videos are shown in public.</p>
Music on hold	<p>These licences are issued to commercial operations that play sound recordings over their telephone systems to callers on hold.</p>
Broadcasting	<p>These licences for the use of sound recordings and music videos are negotiated with and granted to television and radio broadcasters – whether the broadcaster is a free to air, subscription, narrowcast or community broadcaster.</p>
Online	<p>These licences cover the use of sound recordings in connection with certain online services, including simulcasting of radio broadcasts over the internet, webcasting (e.g. online radio stations), audiovisual streaming (e.g. “catch up streaming”, IPTV services) and podcasting (in limited circumstances). We also offer licences covering the use of music videos in certain webcasts and simulcasts of television broadcasts.</p>

PPCA is also continuing to develop licence schemes in other areas as new opportunities and potential new sources of licence fee revenue emerge.

4. OneMusic Australia

In late 2016, PPCA entered into a Memorandum of Understanding with APRA, covering the planned transition to the OneMusic Australia brand for joint licensing of public performance. This initiative will not impact PPCA’s distribution arrangements, which will continue to be administered under this Policy, as amended from time to time. The OneMusic Australia initiative is focused on delivering simplified music licensing solutions in the public performance space, particularly for small business, although it is hoped that this will lead to improved market penetration.



5. Allocation and Distribution Issues not Covered by this Policy

The allocation and distribution process is set out in **Schedule 3: Allocation and Distribution Policies** of this Policy. Occasionally, an issue will arise in relation to the allocation and distribution of net licence fee revenue that is not covered by this Policy. In such cases, the PPCA Board will determine by resolution how to handle the issue, taking into account appropriate professional advice. Any such resolution will be treated by PPCA as part of this Policy for the purpose of allocating and distributing licence fee revenue. If the issue is likely to have an ongoing effect on PPCA's activities (for example, where it has arisen as a result of a legislative change), this Policy may be amended to incorporate the approach determined by the PPCA Board (see below, **Changes to this Policy in section 11**).

6. Holding Accounts

Sometimes PPCA is unable to make payments to PPCA Licensors or Registered Artists that are entitled to receive such payments. In these circumstances, we hold the relevant amount as a separate provision while we determine how to make the payment.

There are two specific situations in which we will hold a payment:

1. Where we are unable to locate the PPCA Licensor or Registered Artist entitled to receive the payment. For example, if a PPCA Licensor's contact details have changed and the PPCA Licensor has not updated PPCA; and
2. Where there is a dispute between PPCA Licensors about which one is legally entitled to receive the payment.

In circumstances where we are unable to locate the PPCA Licensor or Registered Artist, PPCA will hold the payment for a maximum of five years.

In circumstances where there is a dispute between PPCA Licensors, we will hold the payment for a maximum of eight years.

However in both circumstances noted above, the respective time periods for which PPCA will hold the payments may be extended at the discretion of the PPCA Board. At the end of that period, if we are still unable to make the payment to the person entitled to receive it, we will deal with the money as follows:

- We will roll over the amount of the payment into the next year's overall Distributable Amount; and
- This additional amount will proportionally increase each pool and be allocated to PPCA Licensors and Registered Artists on the basis of the year's usage logs.

During the relevant holding period, we will pay out amounts as soon as we are able to do so (for example, when a relevant PPCA Licensor provides updated contact details). In the case of an amount in dispute, we will require some evidence of the satisfactory resolution of the dispute in favour of the PPCA Licensor claiming the amount. If the dispute has been referred to mediation by PPCA (see below, **Complaints and Dispute Resolution in section 9**), we will make the payment as soon as we receive confirmation of the resolution of the dispute.

7. Registered Artists – the Artist Direct Distribution Scheme and Artist Obligations

The Artist Direct Distribution Scheme (the **ADDS**) is an ex-gratia scheme that was introduced into the PPCA Distribution Policy in the early 1990's. In accordance with the ADDS, featured Australian artists are eligible to register with PPCA in order to be eligible to receive a direct payment from PPCA when their sound recordings or music videos receive an allocation in the annual PPCA Distribution. An eligible Australian artist is entitled to sign up for this scheme irrespective of whether or not the artist has retained copyright in the relevant recordings.

Further information in relation to the ADDS and the obligations of registered artists who participate in the ADDS is set out in **Schedule 2: Artist Direct Distribution Scheme and Artist Obligations** of this policy.

8. PPCA's Obligations

PPCA has ongoing obligations to all Registered Artists and all PPCA Licensors. These obligations are:

Confidentiality: All of our staff are subject to a duty of confidentiality in respect of the information they acquire and use in the course of their duties for PPCA. This means they generally cannot disclose details about the allocation and distribution process, especially the individual dollar amounts or percentages of usage logs attributable to particular artists (or particular members within a band), tracks or PPCA Licensors (apart from the information routinely provided to Registered Artists and PPCA Licensors on their respective distribution statements (**Schedule 2: Artist Direct Distribution Scheme and Artist Obligations** and **Schedule 3: Allocation and Distribution Policies**)).

PPCA staff will not reveal to members of the public the confidential contact details and other information we hold about Registered Artists, although we will on request give out contact details for Registered Artists' managers (where we have them).

Access to Information: The statements we send out with distribution payments are designed to help PPCA Licensors and Registered Artists understand how their payment is calculated, and what recordings it relates to. However, subject to the duty of confidentiality described above, PPCA's Privacy Policy (available on the PPCA Website) and to Federal privacy legislation that regulates the use and disclosure of personal information, we may be able to provide some additional information to PPCA Licensors and Registered Artists about their own entitlements.

If you wish to receive any additional information about your entitlements, please contact us by one of the methods set out at the end of this Policy (see **section 10** below, **How to Contact PPCA**). To ensure that we can examine and respond to your request quickly, we ask that you:

- provide appropriate identification so we can verify that you are a PPCA Licensor or Registered Artist;
- tell us your Registered Artist (RA), Registered Copyright Owner (RC) number or other PPCA identification number;
- provide contact details so we can discuss your request with you; and
- tell us in as much detail as possible what information you wish to receive. We will try to accommodate your wishes in this regard, however as noted above for reasons of confidentiality and privacy, we may not be able to provide all the information you request.



9. Queries, Complaints and Dispute Resolution

If, at any stage, you have any queries or concerns (for example, about your registrations, payments from PPCA, or our service generally) we recommend that, in the first instance, you contact us, and we will do our best to address them. PPCA actively encourages feedback on our performance across all areas of our business, and we respect the right of PPCA Licensors and Registered Artists to make a complaint if they believe we have failed to properly address their concerns.

PPCA subscribes to the Code of Conduct for Copyright Collecting Societies (the **Code**). The Code was established in 2002 and is overseen by an independent Code Reviewer. The Code is designed to ensure that each of the participating collecting societies adhere to published standards of service, transparency and accessibility. A copy of the Code is available on the PPCA Website.

In accordance with the Code, PPCA is required to ensure that PPCA Licensors, Registered Artists and PPCA's licensees have access to efficient, fair and low cost procedures for the handling and resolution of complaints and disputes. PPCA publishes a guide to its *Complaints Handling and Dispute Resolution Policy*, which explains how you can make a complaint to PPCA and how we will attempt to resolve issues that concern you. You can obtain a copy of the Complaints Policy by contacting us on one of the methods set out below, or by visiting the PPCA Website.

We aim to deal with all complaints to your satisfaction, but we recognise that we will not be able to resolve all issues in this way, and that some issues simply will not be appropriate to be handled as complaints at all. For this reason, PPCA can refer disputes involving PPCA Licensors to mediation. The process is explained further in the Complaints Policy, and more information is available on request.

As noted above, if any money is in dispute, we will place it in our Holding Account (refer to **section 6**) until the dispute is resolved and the money can be paid to the appropriate PPCA Licensor.

10. How to Contact PPCA

If you want further information about any aspect of this Distribution Policy, or if you have a question about your entitlement to receive a payment, you can contact us by one of the following methods:

 **By telephone:**

+ 612 8569 1133

(during business hours)

 **By email:**

distribution.mail@ppca.com.au

 **By post:**

PPCA
PO Box Q20
QUEEN VICTORIA BUILDING
NSW 1230

11. Changes to this Policy

From time to time, PPCA may need to amend this Policy to reflect changes to its operations or to take account of legal changes (e.g. amendments of the Copyright Act, or a decision of a court or the Copyright Tribunal). This Policy will only be amended by a formal resolution of the PPCA Board, and we will ensure that a copy of the revised Policy is made available on the PPCA Website as soon as possible after any changes. Any such amendment will only be made in line with the terms of the PPCA Input Agreement and the PPCA Constitution.

This Policy was last updated on 1 July 2019.



12. Definitions

ADDS means the ex-gratia scheme as set out in section 7 above, which is administered by PPCA and enables artists to enter into an arrangement with PPCA to be entitled to receive a direct share of the net PPCA Distribution income.

APRA means the Australasian Performing Right Association Ltd (ABN 42 000 016 099).

Copyright Act means the *Copyright Act 1968* (Cth), as amended from time to time.

Distributable Amount means the amount available to PPCA Licensors and Registered Artists as set out in Schedule 3.

Distribution Cut Off Date means the date on which PPCA generally “locks down” the information available to it for the purposes of making a distribution. For each Financial Year ending 30 June, the distribution cut off date is usually the following 31 August (i.e. two months after the end of the Financial Year).

Financial Year means the 12 month period from 1 July of any year to 30 June of the following year.

IFPI means the International Federation of the Phonographic Industry.

ISRC means International Standard Recording Code.

Minimum Artist Payment means the minimum amount that PPCA will pay to a Registered Artist as set out in Schedule 2: Artist Direct Distribution Scheme and Artist Obligations

MRT means music recognition technologies.

PPCA Input Agreement means the agreement entered into by a PPCA Licensor and PPCA which, amongst other things, authorises PPCA to issue licences for specified activities on behalf of the PPCA Licensor.

PPCA Licensors means copyright holders or copyright owners who have signed a PPCA Input Agreement.

PPCA Performers' Trust means the PPCA Performers' Trust Foundation which was established in 1975 to provide grants to promote and encourage music and the music-related performing arts. Further information about the PPCA Performers' Trust is available on the PPCA Website.

PPCA Website means the website located at <http://www.pcca.com.au>

Registered Artists means those artists that have completed the documentation prescribed by PPCA, meet the relevant criteria and have been accepted by PPCA to participate in the ADDS.

Schedule 1: Obligations of PPCA Licensors

Notification of Repertoire

Under the PPCA Input Agreement, each PPCA Licensor has an ongoing obligation to provide a range of information to PPCA in relation to each of the sound recordings and/or music videos it produces or acquires from time to time, including the following:

Sound Recordings	Music Videos
<input checked="" type="checkbox"/> Title of the recording (track) and name of the artist(s) (including session musicians)	<input checked="" type="checkbox"/> Name of the artist and title of the Music Video
<input checked="" type="checkbox"/> Label under which the recording is released by the Licensor	<input checked="" type="checkbox"/> Label under which the Music Video is released by the Licensor
<input checked="" type="checkbox"/> Title, artist(s) and catalogue number of the product(s) on which the recording is released	<input checked="" type="checkbox"/> Catalogue number of the Music Video, where applicable
<input checked="" type="checkbox"/> Country in which the recording was originally made	<input checked="" type="checkbox"/> Country in which the Music Video was made
<input checked="" type="checkbox"/> Year in which the recording was originally released	<input checked="" type="checkbox"/> Year in which the Music Video was made
<input checked="" type="checkbox"/> Label under which the recording was originally released	<input checked="" type="checkbox"/> Label under which the sound recording embodied in the Music Video was originally released
<input checked="" type="checkbox"/> Country of citizenship, residence or incorporation of: (i) the record company or label which paid for the recording; and (ii) each performer, session musician and guest artist who appeared on the recording	<input checked="" type="checkbox"/> Country of citizenship, residence or incorporation of the record company, label or others which paid for the Music Video
<input checked="" type="checkbox"/> ISRC (where available)	<input checked="" type="checkbox"/> ISRC (where available)

Where this information is not provided PPCA will use best endeavours to ensure sound recordings and/or music videos owned or controlled by the PPCA Licensor are updated to, where applicable, share in distributable revenue. This may include (but is not limited to) allocation of PPCA Licensors to unregistered tracks and/or updating the country of citizenship of the performers. However, PPCA does not accept any responsibility or liability for any payments that are made or not made or not attributed to a PPCA Licensor where the PPCA Licensor has not provided the relevant information to PPCA as set out in the table above.



Notification Requirements

PPCA Licensors must ensure that they keep PPCA informed of any changes to the record labels they own or control, including any labels that are discontinued and any new labels that are introduced.

While we encourage you to provide us with this information and any updates as soon as you can, you should remember that PPCA is unable to guarantee that information provided after the applicable Distribution Cut Off Date for a Financial Year will be taken into account in the distribution for that Financial Year.

PPCA also requires PPCA Licensors to advise us promptly of:

- any errors or overpayments of which they become aware from their annual statements;
- any changes to their address(es), contact details and key personnel; and
- any changes to their tax status (for example, if they obtain an ABN or become registered for GST purposes, or if they become a non-resident for income tax purposes).

Schedule 2: Artist Direct Distribution Scheme and Artist Obligations

Background

The Artist Direct Distribution Scheme (**ADDS**) provides an opportunity for featured Australian artists on protected sound recordings and music videos to obtain direct payment of a share of the net income collected by PPCA from the licensing of those recordings and videos.

It is not uncommon for recording artists to have relationships with PPCA in both their capacity as a PPCA Licensor (for example, for repertoire in which they hold the relevant rights) and as a registered artist under the ADDS (where, for example, they featured on recordings under a record label contract).

Eligibility for the ADDS

An artist is entitled to register to participate in the ADDS if the artist is a recording artist who at the time the relevant sound recording or music video is made is:

- an Australian citizen; or
- an Australian resident for tax purposes,

AND

- is a featured performer on a protected and eligible sound recording or music video.

PPCA may request verification of citizenship or residency at any time. PPCA reserves the right in its sole discretion to make the final decision whether to accept the registration of an artist based on the information supplied to PPCA.

“Featured” Artist Criteria

For the purpose of the ADDS, an artist will be considered to be “featured” if the artist:

- is entitled to be paid a royalty for the sound recording or music video under their recording agreement; and
- made an audible contribution (whether the contribution is vocal or instrumental) to the sound recording.

Eligibility of Sound Recordings and Music Videos for the ADDS

The ADDS only applies to eligible protected sound recordings and music videos, being those:

- in respect of which the Copyright Act creates public performance, broadcast and communication rights; and
- on which at least one featured recording artist was an Australian citizen or resident for tax purposes at the time the relevant sound recording or music video was made.



Exclusions from the ADDS

The ADDS will not apply to:

- Protected recordings containing samples of other recordings;
- Sound recordings made for film or television programs, unless they are commercially released as sound recordings;
- Non-featured Australian recording artists (e.g. session musicians / singers);
- Any persons who remix or sequence Australian recordings (e.g. recordings remixed and/or sequenced by DJs), although Australian artists who feature on remixed/sequenced Australian recordings continue to be eligible to register and be paid in respect of those recordings provided that such recordings have been registered with PPCA by such artist(s) as required under the rules of the ADDS; or
- Producers.

Registering for the ADDS

In order to participate, eligible artists must register their interest in each sound recording they release.

Australian featured recording artists are required to register on an individual basis, even if they are members of a band (i.e. no “band” registrations are acceptable). Such artists can participate in the scheme by completing an application form that is available from PPCA and keeping that registration up to date by notifying PPCA of each sound recording (i.e. one form only for an album or single or EP release as the case may be) released during their recording careers. PPCA may need to seek confirmation from the relevant PPCA Licensor of an artist’s status and entitlement to receive a direct distribution. To be included in the distribution for a particular Financial Year, PPCA must receive the artist registration (or any updated information) before the applicable Distribution Cut Off Date for that Financial Year.

If artists do not register for direct payment on Australian recordings under the ADDS, the proportion of funds that would otherwise have been made available to those artists is remitted to the PPCA Licensor for that recording. Detailed, track specific statements are provided to both Registered Artists and PPCA Licensors, so they are aware of any amounts paid directly to individual recording artists in order to allow PPCA Licensors to deal with such income in accordance with their various recording contracts.

Distributions under the ADDS

Where an artist has registered under the ADDS:

Where an Australian artist has registered with PPCA to receive a direct distribution in relation to a particular sound recording or music video, PPCA will pay the net amount of any distribution (i.e. after deductions such as general expenses, PPCA Performers’ Trust or grants, see **Schedule 3: Allocation and Distribution Policies** for further detail) that relates to that sound recording or music video as follows:



- 50% to the featured Registered Artist/s (provided that the Minimum Artist Payment threshold is met); and
- 50% to the PPCA Licensor.

Where there is more than one featured artist on a recording (e.g. members of a band), PPCA will make payments in equal shares unless we are advised otherwise by all members of the act or band. Where one artist is featured, with various musicians or artists having only supporting roles, PPCA will treat the featured artist as the only person entitled to receive a direct distribution. The featured artist will then be responsible for making payment to the supporting musicians or artists in accordance with any contractual arrangements they have in place.

Example: A track from a band consisting of five featured Australian recording artists is allocated \$100 in the annual distribution. The apportionment of those earnings, should all five eligible artists register, would be as follows:

Track Title	Artist	Distributable \$	PPCA Performers' Trust & Grant Allocation \$	Licensor Share	Registered Artists Share
Our Cool Track	Quintet Band	\$100.00	\$2.50	\$48.75	Artist A \$9.75
					Artist B \$9.75
					Artist C \$9.75
					Artist D \$9.75
					Artist E \$9.75

Where an artist has not registered under the ADDS:

Where an Australian artist has not registered with PPCA, the amount of any distribution that relates to the Australian sound recording(s) or video(s) on which they performed will be paid to the controlling PPCA Licensor, for distribution to the artist in accordance with their recording agreement. The relevant PPCA Licensor is provided with details of the amounts paid to each individual registered under the ADDS on a track by track basis, in order to allow PPCA Licensors to deal with relevant income in accordance with their various distribution agreements and recording contracts.

Example: A track from a band consisting of five featured Australian recording artists is allocated \$100 in the annual distribution. The apportionment of those earnings, if only three eligible artists register, would be as follows:

Track Title	Artist	Distributable \$	PPCA Performers' Trust & Grant Allocation \$	Licensor Share	Registered Artists Share	Unclaimed Artist Share Paid to Licensor
Our Cool Track	Band of Five	\$100.00	\$2.50	\$48.75	Artist A \$9.75	\$19.50
					Artist B \$9.75	
					Artist C \$9.75	



International Repertoire where the ADDS Does Not Apply:

In respect of international repertoire, where the ADDS does not apply, 100% of earnings for each track is remitted to the relevant PPCA Licensor. Payments to each PPCA Licensor are accompanied by detailed track by track reconciliations, in order to allow the relevant PPCA Licensor to deal with such income in accordance with their various distribution agreements and recording contracts.

ADDS Distribution Errors

If PPCA makes an error on the basis of the information provided to us prior to the applicable Distribution Cut Off Date, which results in an artist not receiving some or all of a direct distribution that should have been paid to them (for example, if PPCA does not correctly process an artist's registration under the scheme), then we will endeavour to recover the amount in question from the PPCA Licensor or other relevant copyright holder that received it incorrectly. When PPCA receives that amount, we will pay it to the affected Registered Artist.

If you are a Registered Artist who believes PPCA has made an error of this kind, you must contact PPCA by no later than 31 March in the year immediately following the December distribution (i.e. within about 90 days after you receive your payment). Please note, however, that we will not generally seek to recover an amount from the PPCA Licensor unless it is \$20 or more.

Disputes

Where there is any dispute between artists (e.g. between members of a band) as to their respective ADDS entitlements in relation to an Australian recording, and that dispute is not resolved by the applicable Distribution Cut Off Date, the amounts that would have been payable to the featured artists in respect of that recording will be paid directly to the PPCA Licensor. It is then the PPCA Licensor's responsibility in such situations to deal with the payments in accordance with the terms of the relevant recording agreements or other contractual arrangements.

Statements

PPCA sends out a statement with each payment to a Registered Artist (provided that such amount is not less than the Minimum Artist Payment), which provides the following information grouped by (i) audio tracks and (ii) music videos:

- Tracks or videos grouped by performer name;
- Against each track or video:
 - Total earnings allocated to the track or video;
 - The controlling PPCA Licensor;
 - The total amount available to performers under the ADDS;
 - The percentage and amount payable to the registered artist; and
- Earnings sub-totalled by performer name (in the case of artists who may have recorded with more than one act).



Minimum Artist payments under the ADDS

The current minimum payment threshold is A\$5.00 (five Australian dollars). Earnings for those artists whose annual total does not reach this threshold will be paid to the PPCA Licensor(s) for accounting and processing in accordance with the individual artist agreement(s).

Further information

PPCA publishes information regarding the ADDS on the PPCA Website. If you require further information, please contact PPCA by one of the methods set out in section 10 above.

Artist Obligations

Artists who are registered to participate in the ADDS are required to promptly notify PPCA if any of the following occurs:

- any errors or overpayments of which they become aware from their annual statements;
- any changes to their address(es), contact details and key personnel;
- any changes to their tax status (for example, if they obtain an ABN or become registered for GST purposes, or if they become a non-resident for income tax purposes); and
- any new registrations under the ADDS (e.g. new repertoire recorded and released).

A Registered Artist also warrants to PPCA that the registrations that the Registered Artist submits to PPCA are correct at the time of submission.

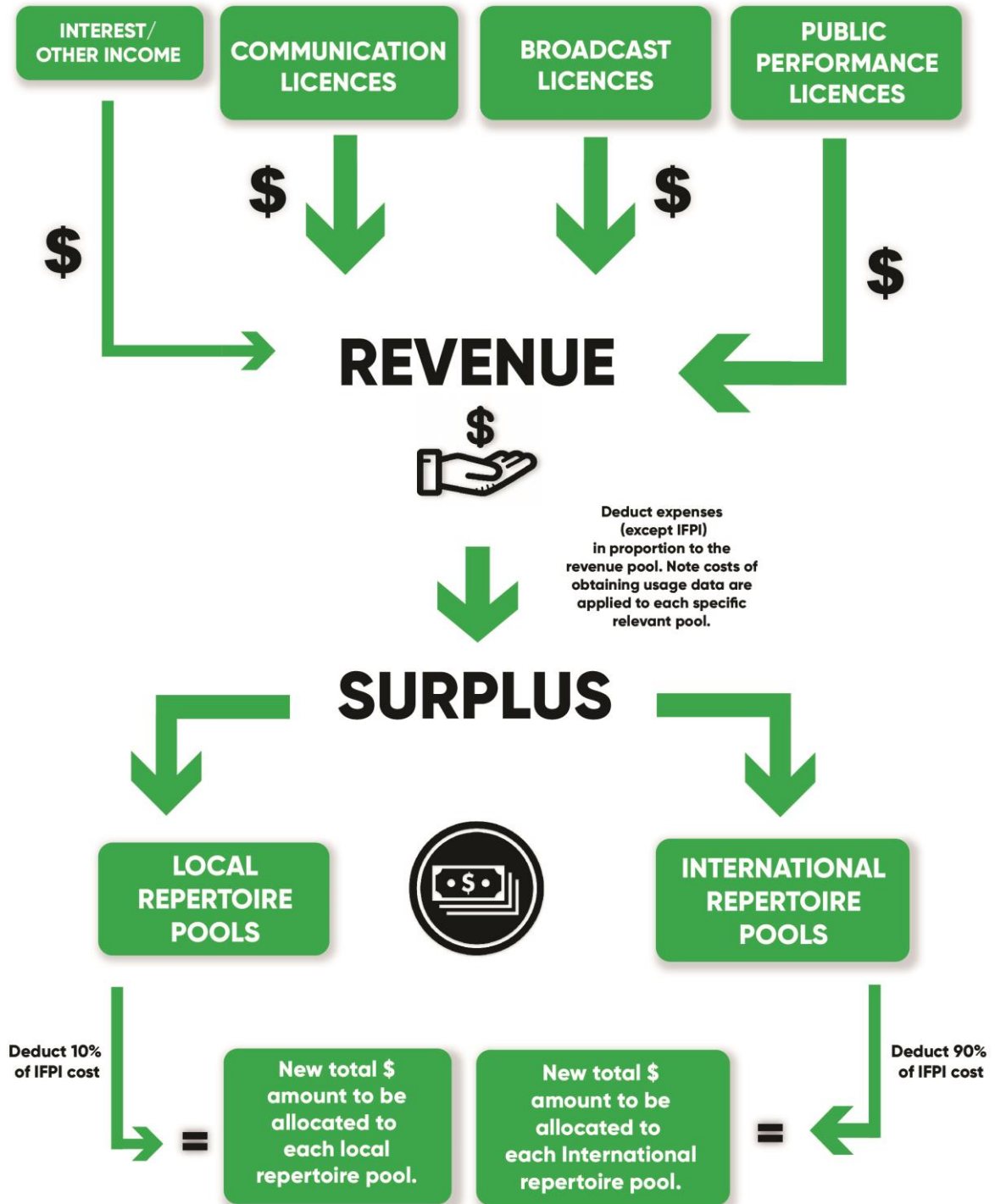
Schedule 3: Allocation and Distribution Policies

In summary, the process of allocating and distributing PPCA's annual licence fee revenue is as follows:

1. PPCA collects and totals all licence fee and other (e.g. interest) revenue received during the relevant Financial Year.
2. PPCA deducts from PPCA's total revenue the expenses of managing and operating our business (but excluding the IFPI subscription), leaving the **Distributable Amount** available for allocation and distribution to PPCA Licensors and Registered Artists.
3. The Distributable Amount is notionally divided into various **Distribution Pools**, based on the sources of the licence fee revenue and/or the information (i.e. logs) we have about how copyright protected sound recordings and music videos were used.
4. PPCA uses extensive airplay logs, or other logs that are available and relevant, to determine the percentage (the '**Track Pool Percentage**') of the relevant Distribution Pool that should be allocated to each participating track or sound recording for copyright protected uses during the relevant Financial Year.
5. Following the allocation between local and international recordings in the relevant Distribution Pools (hereinafter referred to as the "**Local Distribution Pools**" and "**International Distribution Pools**" respectively), but prior to the actual distribution of any amounts, PPCA will deduct the IFPI subscription for the relevant Financial Year as follows:
 - From the Local Distribution Pools, a sum equivalent to 10% (ten percent) of the total IFPI subscription payable; and
 - From the International Distribution Pools, a sum equivalent to 90% (ninety percent) of the total IFPI subscription payable.
6. We then multiply the Track Pool Percentage by the amount remaining in the relevant Distribution Pool (after the IFPI deduction) to give a dollar amount for each participating track or recording.
7. PPCA also deducts from each participating track in the Local Distribution Pools an amount equal to 2.5% of the track's allocation and allocates these funds for charitable, educational and like purposes. Under this Scheme, all direct grants by PPCA for such purposes are deducted from the overall amount available, and the balance (of the total 2.5%) is paid to the PPCA Performers' Trust. These direct grants currently include activities run by such organisations as Arts Law Centre of Australia, The Australian Music Prize, Sounds Australia, Support Act Limited and the PPCA Recording Grants awarded each year in conjunction with the Australia Council. Each direct grant is at the direction of the PPCA Board each year, and may not be awarded in some years.
8. These net amounts are totalled and payments made to PPCA Licensors and Registered Artists for their tracks and/or recordings.

Please refer to the following diagrams which illustrate this process at a high level.

HOW THE DISTRIBUTION POOL AMOUNTS ARE DETERMINED



VALUE ALLOCATIONS WITHIN POOLS

**LOCAL POOL
ALLOCATION**



**INTERNATIONAL
POOL ALLOCATION**

Allocate proportion of pool \$ to participating tracks and videos based on relative reported use for that particular pool. Identify each track/video as local or international.

Q1: Is the recording/video within PPCA's repertoire ? (ie part of our blanket licence)

Yes - If the rights holder has executed a PPCA input agreement and granted relevant rights (eg broadcast or communication) to PPCA.

Q2: Is the recording/video protected ?

Audio: Yes, all Australian recordings are protected for all uses.

Audio: Assessed for each recording depending on country where recording was made, the country of the maker, and the nationality of the recording artists.

Video: Yes, all Australian videos are protected for all uses.

Video: Yes - all videos are protected.

If yes to both questions the recording/video will participate in the distribution, and be allocated \$ from the pool total in proportion to its pool usage % compared to other participating recordings/videos.

Earnings per recording/video for this pool.

Earnings across all local pools are aggregated for each recording and video, and appear on licensors "Local Repertoire" statements and Registered Artists' statements.

Earnings per recording/video for this pool.

Earnings across all international pools are aggregated for each recording and video, and appear on licensors "International Repertoire" statements.



Expenses

Under PPCA's Constitution and the PPCA Input Agreement that each PPCA Licensor signs, PPCA is entitled to deduct from total licence fee revenue whatever amounts are necessary to pay the expenses of the conduct, management, promotion and operation of PPCA. The most important categories of expenses include the following:

- Salaries and associated costs
- IFPI subscriptions
- Information technology systems and support
- Audit, accounting, staff recruitment and training, advertising and sundry office expenses
- Printing, stationery, postage and couriers
- Property related expenses
- Legal expenses
- Telephone and fax
- Purchase and processing of airplay logs/usage data
- Travel and entertainment
- Bad debts and debt collection expenses
- Motor vehicle costs

As noted above, PPCA also makes financial and in-kind contributions to Support Act Limited (**SAL**). SAL is the national benevolent fund established to provide assistance to Australian musicians, composers and associated music industry workers experiencing a crisis. PPCA is represented on the Board of SAL and supports SAL's aim to provide crisis relief to artists in need and their families.

Basis of accounting

Generally, PPCA uses accrual basis accounting. This means that revenues and expenses are allocated to the Financial Year in which the right to receive the revenue or the obligation to pay the expense actually arises. In very limited circumstances, revenue may need to be handled on a cash basis (i.e. in the year in which it is actually received).

Distributor labels

In some cases, a label owned or controlled by a PPCA Licensor is distributed by another company. In order to reduce PPCA's administrative costs, if the distributor company is a PPCA Licensor, PPCA will pay to that company any distributions in respect of the labels it distributes, unless the distributor company has advised alternate arrangements. PPCA will only pay distributions directly to the PPCA Licensor where the distributor company is not a licensor to PPCA or where both the distributor company and the copyright holder advise PPCA in writing.

Overseas copyright owners

Where there is a local (Australian) copyright holder or distributor who is a PPCA Licensor for protected sound recordings owned or controlled by an overseas copyright holder, PPCA will pay any distributions to the local PPCA Licensor distributor. If an overseas copyright holder does not have a local licensee and has signed a PPCA Input Agreement, and copyright protected sound recordings owned by that company appear in the logs, PPCA will pay directly to the overseas copyright holder until such times as a local licensee is in place.



Timing of distributions

PPCA normally makes one distribution annually in December, although other payments may be made throughout the year in accordance with this Policy. For example, if a dispute is resolved PPCA will be able to release any track earnings that had been held while the parties considered their positions. Any variation to this Policy would only occur in exceptional circumstances.

Distribution Cut Off Date

PPCA cannot guarantee that it will be able to process any further information received after the Distribution Cut Off Date from PPCA Licensors (or ADDS registrations), as doing so may cause delays in the distribution process, and potentially impact on our ability to make timely distribution payments to PPCA Licensors and Registered Artists. While we urge you to provide information as often and as quickly as you can, you must get it to us before the Distribution Cut Off Date if you want to be sure that it will be taken into account in that year's distribution.

A reminder about the Distribution Cut Off Date will be included from time to time in PPCA's newsletters to PPCA Licensors and Registered Artists.

Distributions are final

PPCA's policy is always to pay out the full Distributable Amount by 31 December each year based on the information outlined above. This means that once they are determined by PPCA and paid out, all distributions are final and cannot be altered or revisited.

We do not retain any reserve funds (so-called "Black Box" money) to pay out in respect of sound recordings or music videos that do not appear in the logs but that may have been broadcast or performed in public during the relevant Financial Year.

The Copyright Tribunal has recognised that collecting societies must work from sample logs and that not every relevant use can or will be captured each year. We also do not hold any reserve funds to pay out in respect of sound recordings for which the PPCA Licensor had not, prior to the applicable Distribution Cut Off Date, provided all relevant information to PPCA. This is why it is very important for copyright owners to provide the information to us and ensure it is kept up to date (see **Schedule 1: Obligations of PPCA Licensors**).

Statements

PPCA sends out a statement with each payment to each PPCA Licensor, which provides the following information (separately for sound recordings and music videos):

- The total earnings allocated to each track or video, sorted and sub-totalled by artist;
- The total earnings for the PPCA Licensor; and
- In the case of repertoire eligible for the ADDS only – details of deductions for the PPCA Performers' Trust and grants, payments made to individual Registered Artists under the ADDS, along with details of any amounts that were available to be paid to artists had they registered under the ADDS.



Overpayments

If PPCA makes an error that results in an overpayment to a PPCA Licensor or Registered Artist, we will notify the PPCA Licensor or Registered Artist involved and request that the money be repaid as soon as possible, usually within 28 days of the date that we send the notice. If the money is not repaid, PPCA will deduct the amount of the overpayment from the next distribution to that PPCA Licensor or Registered Artist.

Adjustment payments

If PPCA makes an error in a distribution on the basis of the information that has been provided to us (for example, if we incorrectly apply the information that PPCA Licensors have provided about the countries with which a recording is connected), and this results in an underpayment to a PPCA Licensor, then we will consider making an adjustment payment to the affected PPCA Licensor from the subsequent year's Distributable Amount. If you believe PPCA has made an error of this kind, you must contact us by no later than 31 March in the year immediately following the December distribution (i.e. within about 90 days after you receive your payment). Please note, however, that we will not generally make an adjustment payment unless the amount involved is \$20 or more. Note also that errors in the payment of direct distributions to Registered Artists are handled differently by PPCA (see **Schedule 2: Artist Direct Distribution Scheme and Artist Obligations**).

PPCA will not consider requests for adjustment payments based on information that had not been provided to us prior to the applicable Distribution Cut Off Date. As outlined above, we pay out the total Distributable Amount each year on the basis of the information that we have as at that date, and we cannot revisit individual distributions on the basis of new or additional information.

Allocation Process

As outlined above, and further detailed in **Schedule 4: Distribution Pools**, a significant portion of the allocation process is based on extensive airplay logs for sound recordings.

All the various logs are ingested by PPCA and then matched against the information held by PPCA in respect of Licensor and Registered Artist repertoire claims.

The logs are used to determine the extent and weighting of the use of sound recordings and music videos during the relevant Financial Year in each pool. This determines the percentage of the relevant Distribution Pool that is allocated to a particular copyright protected track or music video.

An exception to this is classical music as PPCA does not yet have access to sufficiently reliable and extensive logs to make allocations on that basis. For the time being, therefore, audited market shares of classical recordings sales are used as a reasonable proxy for the public performance and broadcasting of copyright protected classical music sound recordings. As soon as PPCA is able to get reliable logs (including detail that will allow PPCA to identify the specific sound recording) of classical music broadcasting at an economical price, we will base our allocations on those logs.

As PPCA issues its licences on a *blanket* basis the allocation of the net licence fees for a particular pool across the protected sound recordings (or music video clips) within the pool is based on the relative weighted use % of each protected and PPCA registered recording or music video, as applicable, within the relevant pool. This is one of the reasons that audio and video clip earnings are dealt with in separate pools, as music video clips are ALL protected, whereas sound recordings are only protected in particular circumstances. PPCA has published information regarding the meaning of "protected sound recordings" on the PPCA Website. If you are unable to locate this information, then please contact us for further information (see **section 10**).



Examples of the impact of the status of a sound recording (or video clip) in relation to protection or PPCA registration are illustrated below:

Example: Simplified illustration of allocation process within a Distribution Pool covering sound recordings for public performance or broadcast, where the net licence fee value of the pool is \$100:

Track	# of Plays	Protected?	Registered*	\$ Allocated
1	17	Y	Y	\$ 16.5049
2	11	Y	Y	\$ 10.6796
3	3	Y	Y	\$ 2.9126
4	7	Y	Y	\$ 6.7961
5	8	Y	Y	\$ 7.7670
6	41	Y	Y	\$ 39.8058
7	5	Y	Y	\$ 4.8544
8	1	Y	N	\$ -
9	3	Y	Y	\$ 2.9126
10	2	N	N	\$ -
11	4	Y	Y	\$ 3.8835
12	2	N	Y	\$ -
13	4	Y	Y	\$ 3.8835
				\$ 100.0000

* Registered means registered by a PPCA Licensor

NB: For ease of reference and understanding, in the example above, the track usage has been described as "Plays". In practice, for much of the log data received by PPCA, the tracks are often ascribed a 'play percentage' within the particular pool (rather a number of 'plays').



The following example builds on that above, illustrating the impact of whether or not a particular piece of content (sound recording or music video clip) is protected for the particular licensed use (e.g. broadcast or internet streaming). As shown below, the change in protected status of registered tracks (e.g. track 12 in this example) results in an allocation to that track, and a proportionate reduction in the allocations to the other protected registered tracks.

Example: The same simple example, using the same tracks and usage, but assuming the pool is for music video clips or communication (e.g. internet streaming):

Track	# of Plays	Protected?	Registered*	\$ Allocated
1	17	Y	Y	\$ 16.1905
2	11	Y	Y	\$ 10.4762
3	3	Y	Y	\$ 2.8571
4	7	Y	Y	\$ 6.6667
5	8	Y	Y	\$ 7.6190
6	41	Y	Y	\$ 39.0477
7	5	Y	Y	\$ 4.7619
8	1	Y	N	\$ -
9	3	Y	Y	\$ 2.8571
10	2	Y	N	\$ -
11	4	Y	Y	\$ 3.8095
12	2	Y	Y	\$ 1.9048
13	4	Y	Y	\$ 3.8095
				<u>\$ 100.0000</u>

* Registered means registered by a PPCA Licensor

NB: For ease of reference and understanding, in the example above, the track usage has been described as "Plays". In practice, for much of the log data received by PPCA, the tracks are often ascribed a 'play percentage' within the particular pool (rather a number of 'plays').



Schedule 4: Distribution Pools

Determining Distribution Pools

Once an overall distributable amount is determined (e.g. the Distributable Surplus calculated at the end of a Financial Year), the first step is to divide that amount across relevant pools. Pools are created based on a range of criteria, including:

1. **Relevant information sources:** for example, for this portion of net licence fee revenue, PPCA considers whether it has specific information relating to the particular use of the sound recordings or music videos;
2. **The type of content used:** that is the portion of net licence revenue for the use of sound recordings or music video clips;
3. **The category of use:** that is, is the portion of net licence revenue derived from broadcast, public performance or communication of the recordings or music videos; and
4. **The participating licensors:** that is, PPCA considers whether all or only a subset of PPCA Licensors have granted rights to PPCA to allow their repertoire to be included in the licences offered.

Separate distribution pools apply to each of the major identifiable sources of net distributable revenue for which detailed usage data is provided to PPCA. The principal distribution categories, some of which include a number of discrete pools, are:

- broadcast and public performance of audio only content;
- communication (online and music on hold) of audio only content; and
- broadcast, public performance and communication of music video clip content.

Distribution revenue (net) for which no data returns or analysis is cost effectively available are apportioned to those pools which, in PPCA's view, best reflect the music performed.

Distribution Methodologies

PPCA strives to make its distributions as accurate as possible and ensure that licence fees received from each licensee are allocated directly to the recording or music video clip performed, if it is economically feasible to do so. Increasingly technology has allowed greater volumes of data to be provided and processed, and new sources of information to be identified. PPCA is, however, committed to ensuring that the cost of collection of usage data, and the cost of processing that information for distribution purposes, is in proportion to the value of the licence fees received. As a result, PPCA's distribution arrangements utilise a range of methodologies, such as:

- **Direct allocation:** where fees from an individual licensee, or group of connected licensees, are distributed across the recordings / music video clips based on the usage reported to PPCA by that licensee / group of licensees. Individual distribution values are calculated on the frequency of use of each protected item. Examples of such pools are those used for licence fees from commercial radio in



respect of their simulcast activity, or one-off special event licences (e.g. opening / closing ceremonies of a particular major event).

- **Third party data:** the distribution uses data received from a party other than the actual music user. The most significant third party provider of data is APRA. For many years APRA has, for a fee, collected and consolidated usage data from a range of broadcasters and provided that data to PPCA to use for distribution purposes. This provides cost efficiencies to both organisations, by eliminating what would otherwise be duplicated administration relating to the collection of that data. PPCA also obtains data from ARIA, to aid the distribution of licence fees from sources such as nightclubs and other featured music uses, such as music festivals and events. ARIA collects data on a weekly basis from a panel of approximately 200 DJs active in venues across Australia. While ARIA uses that data to create its weekly ARIA Top 50 'Club Tracks Chart', PPCA utilises aggregated weekly data of the reported in venue use to allocate a portion of the nightclub, featured and music festival / event net licence fees. The use of this aggregated data provides for a deeper analysis of tracks played in venues compared to the published ARIA Top 50 Club Tracks Chart.
- **Music Recognition Technology (MRT):** a digital 'fingerprint' of each recording is created when it is used. This fingerprint is then compared to the digital fingerprints of many millions of recordings housed in a third party fingerprint database. The database also contains each recording's metadata (performers, writers, recording details etc) enabling the matching of resulting usage reports with the PPCA track registration database.
- **Distribution by analogy:** net licence revenue for particular uses are added to one or more existing distribution pools that is / are most similar in terms its / their music use. For example, public performance licence fees are received from a large number of, generally, small businesses for the use of devices such as CD players, jukeboxes, background music systems, and computers on their premises. As it would be virtually impossible for such licensees to provide PPCA with music usage information, and it would equally be impractical economically for PPCA to process such large volumes of data, PPCA includes such licence fees in its distributions by adding the amounts to radio, across music video programming and to other sources in proportions commensurate with the applicable tariff.

PPCA will use further specific Distribution Pools when the amount of licence fee revenue from a particular source is significant enough, and/or the logs and other information are sufficiently comprehensive, to warrant separate treatment. For example, we created a separate Distribution Pool for the licence fee revenue received from SOCOG for the use of sound recordings during the Sydney 2000 Olympics. Similarly, when MRT data can be obtained for music festivals / events, where the licence fee is of a magnitude to warrant the cost of acquiring the data, PPCA will create a special separate pool and distribute those net licence fees on the basis of the relevant MRT report.

Radio and Television Logs

PPCA purchases aggregated radio broadcast logs from APRA, and APRA represents that the logs are almost a census of commercial radio broadcasting and of ABC metropolitan broadcasting. Please note that, at present, no 'regional only' ABC programs are included. The logs therefore reflect reasonably accurately the use of sound recordings in such broadcasting.

For music videos (apart from the RAGE broadcasts by the ABC, for which we receive and utilise specific logs), the allocation process is based on APRA logs of music video programs and some other television programs in which music videos are used.



In the case of distributions relating to sound recordings used by commercial telecasters, the majority of the net income received will be apportioned on the basis of the aggregated radio airplay logs received from APRA. Although inexact in regard to the use of particular recordings in television broadcasts, the logs do provide a broad basis on which allocations across stakeholders can be made and is the best distribution information currently available to PPCA. The availability of specific television broadcast data at a reasonable cost is under ongoing review, to determine a method of calculation which provides for a more accurate apportionment of these licence fees. From July 2018 PPCA has been able to utilise MRT to obtain reports on sound recordings broadcast by Network Ten Sydney, and bases distributions for net licence fees covering the TEN and WIN networks on that sample data.

Current Distribution Categories

REVENUE TYPE	Broadcast Radio	Broadcast Music Videos	ARIA Club Chart	MRT Data	MRT Specific Events	ABC RAGE	Specific
<u>BROADCAST</u>							
ABC Radio	✓						
ABC TV	✓					✓	
SBS Radio & TV	✓						
Commercial Radio	✓						
Community Radio	✓						
Narrowcast	✓						
Satellite Radio							✓
Other Radio							✓
Commercial TV	✓			✓			
Satellite TV	✓						
Subscription TV	✓						
Retransmission	✓						
Other TV	✓						
<u>PUBLIC PERFORMANCE</u>							
Public Performance Fees	✓	✓			✓		✓
Nightclubs + Music Events	✓		✓	✓	✓		✓
<u>COMMUNICATION</u>							
Music On Hold	✓						
Linear Streaming							✓
Interactive Streaming							✓
Simulcast Radio							✓