

LABELS' FAIR DIGITAL DEALS DECLARATION 2018 – FAQ/INFORMATION SHEET

PART 1 - FAQs

What is the Labels' Fair Digital Deals Declaration?

The Labels' Fair Digital Deals Declaration is a commitment by independent record companies to treat their artists fairly in relation to the digital exploitation of artists' work in recorded music agreements with third parties.

Background – why are we doing this?

In today's music industry, new ways of doing business have developed with digital music services. Deals are done with the services which often involve other benefits and payments apart from the actual use of the music and the per track usage value. Companies may receive some form of upfront benefit which is not connected to the actual music usage. Revenues received in this way are un-attributable to the use of individual recordings. They may involve advances, equity, delivery fees, breakage, administrative charges or other charges.

In all cases, these payments or benefits are not connected to the usage of music, which creates a situation whereby the companies may not share these revenues or benefits with their artists.

The WIN Declaration makes it clear that signatory companies will share the benefits of dealing with digital services fairly and clearly with artists and will pay their artists a pro-rata share of un-attributable income. This is to amplify our commitment to fairness and transparency, and to ensure a sustainable economic relationship between the independent recorded music industry and the artists with whom we work.

How did this idea come about?

The first Fair Digital Deals Declaration was launched on 16th July 2014.

Full details are here: <http://winformusic.org/declarationhomepage/>

The idea was first put forward by the WIN board in 2014 that practical and public action was required to clarify and amplify independent labels' commitment to treating artists fairly and transparently. Over 1000 independent labels signed the declaration in 2014.

We are looking to those signatory labels to reaffirm their pledge, and for many more labels to sign up for the first time.

For labels - What do I have to do internally after I/we have signed the Declaration?

We would like you to communicate to your artists that you have signed the Declaration. We further request that you attach a signed copy of the Declaration to your artists' royalty statements, at the next royalty payment run. This way they will be aware of the existence of their label's commitment to them. Please feel free to include these FAQs when you communicate with your artists.

Have we obtained permission from Tom Waits to use his quote?

Yes, we have obtained permission from Tom Waits, via his management, to use his quote.

Who else has signed the Declaration so far?

Go to the WIN website - <http://winformusic.org/declarationhomepage/> to read the signatories to the Declaration.

PART 2 – SUPPORTING INFORMATION ON EACH POINT OF THE DECLARATION

Additional information to explain/expand each point is below:

Point 1:

Ensure that artists' share of download and streaming revenues is clearly explained in recording agreements and royalty statements in reasonable summary form.

This is a straightforward pledge that labels are making to improve the information that labels make available to artists on digital deals which affect those artists. The scope of the Declaration overall is to digital agreements ONLY. Labels are free to decide for themselves what level of detail is required,

case by case. They are committing to making this information available to artists in reasonable form to artists – if the artists feel they have enough information, then this would be considered reasonable. Too much (and certainly too little) information may not be considered reasonable.

Point 2:

Account to artists a good-faith pro-rata share of any revenues and other compensation from digital services that stem from the monetization of recordings but are not attributed to specific recordings or performances.

This point is crucial, as it refers to the fact that money can be paid to a record company which cannot be directly linked to the streaming or other digital use of an artist's recordings. These payments can be made up of equity (shares or equivalent stakes in the company offering the service) as well as other payments for administration, 'breakage' and other charges, so that the artist only receives the per stream rate but none of this money. Some of it can be deducted where there are real costs, but we think it unfair that the artists do not benefit from the other 'hidden' income. This reflects a practice that has grown up from large copyright owners to charge huge upfront sums.

Labels are free to decide for themselves exactly what constitutes a 'good faith pro-rata share', and this will vary from case to case. What matters is that the label is committing to sharing with its artists, in a fair manner, benefits which may come to the label which do not relate directly to the exploitation of particular recordings.

Point 3:

Encourage better standards of information from digital services on the usage and monetisation of music.

This point is not a commitment between the label and the artist. It is rather a statement that the label is making to the artist to support the artist's interests when it comes to the manner in which both labels AND artists are served by digital music services and to encourage an improvement in the information available to the record company from the service provider.

Point 4:

Support artists who choose to oppose, including publicly, unauthorized uses of their music.

This is a statement which shows that a label will support any of its artists who wish to speak out against piracy and other unauthorised uses. Artists are of



course free to choose how they react or deal with unauthorised usage of music, but the intention is that labels will support those artists who do wish to speak out.

Point 5:

Support the collective position of the global independent record company sector as outlined in the Global Independent Standard - <http://winformusic.org/declarationhomepage/>

This is fairly self-explanatory. The Declaration itself is a practical development which comes from the general intentions of the Standard.

WIN
March 1st 2018



**“The large print giveth and the small print taketh away. ”
- Tom Waits**

LABELS’ FAIR DIGITAL DEALS DECLARATION

We make the following declaration in connection with the distribution of recordings in digital services.

We will:

1. Ensure that artists’ share of download and streaming revenues is clearly explained in recording agreements and royalty statements in reasonable summary form.
2. Account to artists a good-faith pro-rata share of any revenues and other compensation from digital services that stem from the monetization of recordings but are not attributed to specific recordings or performances.
3. Encourage better standards of information from digital services on the usage and monetisation of music.
4. Support artists who choose to oppose, including publicly, unauthorized uses of their music.
5. Support the collective position of the global independent record company sector as outlined in the Global Independent Manifesto below.

We wholly disapprove of certain practices which leave artists under-recompensed and under-informed in the digital marketplace and will work together with the artist community to counter these practices.

Signed on behalf of [Label]

[Print name]

[Date]



Global Independent Standard

The points below represent the collective position of the global independent record company sector, put forward by the sector's collective voice, WIN (Worldwide Independent Network: www.winformusic.org).

All points are equal in stature, and are not numbered according to any form of ranking or significance.

1. We, the independents, will work to grow the value of music and the music business. We deserve equal market access and parity of terms with Universal, Sony and Warner, and an independent copyright should be valued and remunerated at the same level as a major company copyright. We will work with the majors in areas where we have a common goal. We will work to ensure that all companies in our sector are best equipped to maximize the value of their rights.

2. We support creators' freedom to decide how their music may be used commercially, and we will encourage individual artists and labels to speak out directly against unauthorized uses of music as well as commercial uses of music that stifle that freedom. We support creators' right to earn a living from their work, which should be respected as a basic human right. We expect any use of music by commercial third party operators to be subject to fairly negotiated licensing terms, in a market where any use of music is an end in itself, not so-called promotion driving a subsequent sale.

3. We support independent music labels that treat their artists as partners and who work with them on reasonable commercial terms, noting that labels are investors who deserve a fair return alongside their artists.

4. We promote transparency in the digital music market; artists and companies are entitled to clarity on commercial terms.

5. We oppose further consolidation in the recorded music, publishing and radio sectors since this is bad for independent music companies, their artists and fans, as it reduces market access and consumer choice.

6. We support initiatives which confront market abuse, and which aim to adapt competition laws to promote independent market access and foster collective responses by independents to potentially anti-competitive conduct by large operators.



7. We recognize that all independent music businesses contribute to local culture, diversity, jobs and export opportunities, and multiply the economic success of related industries. We will ask governments to promote and support the independent music sector in securing access to finance and tax credits, and to local and international markets.

8. We hold that collecting society revenues must be allocated and distributed accurately and transparently. This includes distribution of unclaimed money that logically belongs to the independents. We will push for the independent sector to be formally represented in the governance of collecting societies, with trade associations being eligible for board seats.

9. We support the creation of a worldwide track-level sound recording rights database, subject to neutral governance and ownership, to ensure accurate distribution of rights revenues to their rightful owners.

10. The independents will, as always, actively encourage and support new commercial opportunities for music, and will continue to support and develop new, legitimate business structures and partnerships.