

ERA's Policy on Deductions

ERA's General Policy on Deductions from Rights Revenue and from any Income arising from the Investment of Rights Revenue and provision for payment of Management Fees.

The Members of ERA have approved adoption of this Policy in General Meeting on 15 September 2016

Introduction

ERA applies its Mandates to support operation of a copyright licensing scheme known as the ERA Licence.

Educational Establishments within the United Kingdom of Great Britain and Northern Ireland are able to take out ERA Licences.

By agreement with ERA Members and the authorities responsible for educational establishments within the Isle of Man and the Channel Islands, ERA Licences are also granted for the benefit of educational establishments within the Isle of Man, Jersey and Guernsey.

This policy sets out the basis upon which ERA is authorised to operate and apply deductions from rights revenues and any income arising from any investment of rights revenue to the extent recognised and permitted by

(a) the ERA Distribution Policy and the terms of individual ERA Membership Agreements; and

(b) ERA's Investment Policy with regard to rights revenue and income arising from the investment of rights revenue.

Management Fees

To enable the operation of ERA, the Members have agreed that responsibility for oversight of the preparation and approval of an annual budget covering management fees and reasonable allocations to reserves for the running of ERA shall be delegated to the Board of Directors, subject to adherence to this general Policy.

Prior to the commencement of each Financial Year of the company the Chief Executive of ERA shall submit to the Finance and Audit Committee and to the Board of Directors a budget to cover the reasonably-projected running costs of the company for the year ("the Budget").

The Budget shall include provision for the payment of all reasonable management fees to be incurred by the company during the year covering the exercise of Mandated Rights for Mandated Uses in accordance with the terms of ERA Membership Agreements.

The Board of Directors shall be invited to approve the Budget

(a) with a view to meeting the objective criteria for ERA to apply Mandated Rights for Mandated Uses and

(b) authorising the basis upon which calls may be made from the Distribution Account operated by ERA to meet the cash flow demands of the Budget.

Cash Flow and Payment of Management Fees

On a quarterly basis, the Board of Directors shall consider and approve the calls that will be required to meet approved budgeted costs of ERA in the next quarter.

Actual costs incurred against the Budget will be reported to the Board of Directors on a quarterly basis.

Actual costs incurred will also be reflected and confirmed in the audited Directors' Report and Financial Statements of the company for each financial year and will be made available for the Board in providing its supervisory function of ERA and for the preparation of the Annual Transparency Report.

Deductions from Sums due to Members

All payments due to individual Members shall be governed by the ERA Articles of Association, terms of Membership Agreements, ERA Distribution Policy and ERA's Investment Policy.

ERA Members have agreed that all costs incurred in accordance with the approved Budget shall be borne by ERA Members in the same proportion for which they are eligible to receive shares of approved distributions under the ERA Distribution Policy.

Budget Underspends

If any management fees provided for within an approved Budget remain unspent at the end of a financial year, the ERA Members have agreed that the Board of Directors shall be authorised to decide whether such budgeted provision shall be allocated to comprise reasonable reserves for the future operation of ERA or whether the unspent provisions shall be retained in the Distribution Account for future allocation in accordance with the terms of the ERA Distribution Policy.

ERA Members Approval of Management Fees

All ERA Members and applicants for membership shall be made aware of the terms of this general Policy (as may be amended by agreement of ERA Members from time to time).

New Members shall be required to acknowledge and agree to the terms of this Policy being applied for calculation of rights revenue otherwise becoming due to the ERA Member whilst in ERA Membership.