



RULES ON RISK MANAGEMENT

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At its meeting from 31 August 2023 and in accordance with the 9th indent of the first paragraph of Article 25 of the Collective Management of Copyright and Related Rights Act (Official Gazette of the Republic of Slovenia No. 63/2016 and 130/22, hereinafter: ZKUASP), the Assembly of Members of SAZAS (hereinafter: Society) adopted the following:

RULES ON RISK MANAGEMENT

Article 1

This policy shall determine the rules on risk management in the Society.

Article 2

The provisions of these rules must be observed in accordance with the provisions of the ZKUASP, the Copyright and Related Rights Act (hereinafter: ZASP), and the Statute of the Society (hereinafter: Statute).

Article 3

The types of risks, characterizing the Society's operations, are:

External risks: risks associated with the legal and regulatory environment (legal risks according to the change of laws and regulations, risk of control and supervision), risks associated with the economic environment, which reflect in the amount of collected royalties/compensations, and technological risks associated with new forms of the use of copyrights and related rights.

Internal risks: risks associated with the management of human resources as part of the Society's operations.

Static risks: risks that are independent of the economic environment and stay constant throughout a longer period of time. These include all types of unforeseeable events and accidents that can negatively affect the Society's assets.

Dynamic risks: risks of financial losses because of changes in the legal and economic environment. Taking into account the legally regulated status of the Society, the dynamic risks also include measures and actions taken by the legislator.

Article 4

Consequences of the risks:

1. The fundamental risk is connected to regulatory risks. The Slovenian Intellectual Property Office (hereinafter also: Supervisory Body) can, in the event of identified violations, withdraw the previously granted permission to the Society or impose a fine for potential offences committed by the Society.
2. To constitute risks are also non-payments and the consequential legal procedures towards users who do not provide payment for the use of copyrights for musical works and other forms of enforcing protection for copyrights before courts and other state bodies.

Article 5

Possible risks:

1. Pure risk is at the base of Society's financial operations, as the Society is a non-profit organisation according to the provisions of the ZASP and the ZKUASP. The Society's revenue deriving from copyright management according to the permission issued by the Slovenian Intellectual Property Office (hereinafter: Permission) is, after deduction of the operating costs, intended to be distributed to eligible rights holders in accordance with predetermined rules on the distribution of royalties or as further determined by the provisions of the ZASP, the ZKUASP, the Statute, and other rules of the Society.
2. According to the nature and the regulated operations of the Society, speculative risks are limited to investments in bank deposits as regulated by the ZKUASP, the rules on investing royalties into bank deposits, and the revenue thus generated. The purchase and sale of immovable assets can be made according to the provisions of the ZKUASP and the Statute. The assets shall be invested so as to ensure the security, quality, liquidity, and profitability of the portfolio as a whole. The assets shall be properly diversified in order to avoid excessive reliance on any particular asset and accumulations of risks in the portfolio as a whole.

Article 6

Economical aspects of risks:

1. Static risks management: the management of the Society (hereinafter: Management) is liable for ensuring appropriate static risks management. The Management acts independently, at its own responsibility, and to the benefit of the Society, its members, and rights holders, and by employing due care and diligence. At least once per quarter, the Management shall report to the Society Supervisory Board (hereinafter: Supervisory Board) about the business operations of the Society which also includes a report on static risks.
2. Dynamic risks management: strict fulfilment of tasks by the Supervisory Board as defined by the governing laws and the acts of the Society decreases the possibility of dynamic risks to a minimum. The Supervisory Board shall take timely action in accordance with the ZKUASP, the ZASP, the Statute, and other acts of the Society as a response to quarterly reports of the Management and depending on the predictions on the change of relationships within the Society.

Article 7

Monetary division of risks:

1. Monetary risks are present at all times due to the competence of the supervisory authority to impose a measure which would include the withdrawal of the Permission due to an identified infringement as defined in the ZKUASP. The withdrawal of the Permission would constitute a monetary risk, since the Society collects royalties based solely on the Permission.
2. There is no non-monetary risk connected to the obligatory collective management of the copyright in musical works.

Article 8

The Society shall keep the documentation on risk management, whereby it shall ensure an auditory track of risks that enables a review of implementation and a definition of key positions for the establishment of internal controls or their relevant use without duplications; and allows the auditor to quickly analyse the system and determine potential weak areas, which require a more thorough revision.

Article 9

Risk management is a key part of the Management's responsibilities and the main part of all organisation processes, including strategical planning and the processes of project management and implementation of changes in the Society.

As part of risk mitigation measures, the Management shall also establish an estimate of costs related to risk mitigation measures.

The Supervisory Board shall be responsible for the timely adoption of measures in accordance with its competences.

Article 10

According to the ZKUASP, members of the Management and the Supervisory Board are jointly liable to the Society for damages resulting from a breach of their duties, unless they prove to have fulfilled their duties with fairness and diligence.

Article 11

The provisions of these rules shall also apply in case of transfer of administrative and technical responsibilities to an external provider, as defined by the ZKUASP.

Article 12

These rules become effective the day following their adoption at the Society's Assembly.

On the day when these rules enter into force, the Rules on Risk Management adopted by the Society on 18 October 2017 cease to be valid.

Article 13

The Society shall publish these rules on its website.