Borzen

2018

SUSTAINABILITY REPORT

THINKING OF THE FUTURE

The international community has reached a historic agreement on the eradication of poverty, reduction of inequality, assurance of progress and protection of the environment for the present and future generations with the adoption of the 2030 Agenda for Sustainable Development in 2015 at the UN Summit.

In a balanced way, the Agenda connects the three dimensions of sustainable development – economic, social and environmental – and intertwines them through 17 sustainable development goals, which must be realised by 2030. These goals are to be realised by all world countries, taking their national circumstances into account.

We at Borzen also identify with many of the set goals and want to do our best to help to realise them:

- ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- ensure access to a ordable, reliable, sustainable and modern energy for all
- build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- ensure sustainable consumption and production patterns
- take urgent action to combat climate change and its impacts

Borzen identi es with the set goals through its mission. Our company's operation is highly intertwined and supports the realisation of the goals set by the UN, and through them also of our country's goals.

The very nature of an electricity market operator is a socially responsible one; the company tries to pass these values on to the broader environment. In 2018, Borzen once again supported the 2030 Agenda for Sustainable Development through diverse activities, as re ected in our report.

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.

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GENERAL MANAGER'S STATEMENT

The connection and interdependence of individuals, societies and, last but not least, of humanity and our planet is undeniable. Something similar can be said of the energy market, where all players are operating interdependently. The very co-creation of the energy market in Slovenia and abroad left the biggest mark on Borzen in 2018.

THE ELECTRICITY MARKET IS CHANGING

The conditions on the electricity market, where an increased market concentration was detected in 2018, are also re ected in the drop in the volume and number of recorded closed contracts, as noted by Borzen. All of the above is also re ected in our company's pro t, which equals EUR 1.37 million for 2018. In the organised market, we recorded slightly less than 110,000 closed contracts and operational forecasts totalling 8.1 TWh. The data show that in 2018 Slovenia was the net importer of electricity and that the import represented 16.4 percent of the total Slovenian electricity consumption.

Transparency is undoubtedly one priority of the electricity market. Borzen was very active when it came to ensuring the transparent operation of the electricity market; among other things, through various announcements and submitting relevant data to market participants and the broader public. Since 2015, we have been reporting data on wholesale energy transactions to the Agency for the Cooperation of Energy Regulators (ACER), thus providing a systematic, transparent, e cient and competitive Slovenian electricity market

MORE ENVIRONMENTALLY FRIENDLY ELECTRICITY GENERATION

Renewable energy sources and energy e ciency have been established for many years now and are continuing to gain ground. In Slovenia, the trend of increased investments in renewable energy sources through the Support Scheme, but not in general, stabilised about two years ago, when the policy of granting State aid in this eld was amended. This is collaborated by the low number of entries of new units to the Support Scheme for Electricity Production from Renewable Energy Sources and Cogeneration of Heat and Power, which is managed by Borzen. At the end of 2018, the Support Scheme consisted of slightly less than 3,600 units, which represented approximately 12 percent of installed capacities in the Republic of Slovenia. The total amount of support payments for the electricity generated by the above-mentioned units, which accounted for 7 percent of the Slovenian annual consumption of electricity, equalled a little over EUR 135 million. As regards the share of generated electricity, fossil-fuelled CHP units and solar power plants stood out; the latter also received slightly less than half of all support payments in that year.

WE AT BORZEN ARE PROUD

We and our colleagues are proud to have been able to use our valuable experiences and knowledge to be a part of the formation and establishment of electricity markets in Georgia, Ukraine and North Macedonia. We are proud that our brand "Trajnostna energija" (Sustainable Energy), which raises awareness on the sustainable power industry, has reached over one million people. This way we provide people with knowledge and the right information for making mature and good decisions regarding energy. Our series of the rst Slovenian environmental animated cartoons "Lepši svet" (A Better World) received a special recognition award from asnik Finance.

We are truly aware of the responsibility we carry as an electricity market operator, which is why we are operating in accordance with a socially responsible concept of management; this has been con rmed by the Corporate Social Responsibility Certi cate that we are diligently maintaining and upgrading. We are also proud to have successfully passed the conformity assessment for obtaining the ISO 27001 international certi cate in the eld of information security, which focuses on the protection of the con dentiality, integrity and availability of information, since the security of all our stakeholders is one of our priorities.

In 2019, we will be building on the foundations laid in the past, in cooperation with our stakeholders. Full of energy and ideas we are looking to the future

Sincerely,
Karol Peter Peršolja, PhD
General Manager

ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

By 2030, increase substantially the share of renewable energy in the global energy mix.
By 2030, double the global rate of improvement in energy e ciency.

BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on a ordable and equitable access for all.

By 2030, upgrade infrastructure and retro t industries to make them sustainable, with increased resource-use e ciency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversi - cation and value addition to commodities.

PRESENTATION OF BORZEN[1]

2.1 ABOUT THE COMPANY

Borzen promotes the development of the Slovenian power market, its e ciency, and competitiveness. Through our daily dedicated work, we are co-creating the domestic and international energy environment, thus actively co-shaping Slovenian and European energy trends.

Borzen was founded on 28 March 2001, in accordance with the provisions of the Energy Act for the implementation of the public service obligation relating to the organisation of the electricity market as a subsidiary of the public company Elektro-Slovenija, d.o.o. In mid-2007, the Government of the Republic of Slovenia, on the proposal of the Ministry of Economy, and as the founder and sole shareholder of Elektro-Slovenija reached the conclusion that the total Elektro-Slovenija's share in Borzen was to be transferred for consideration to the Republic of Slovenia. The full transfer of the ownership was carried out in December 2007. With the new Energy Act (EA-1), the public utility service, whose tasks Borzen has been entrusted with, is called a public utility service of the electricity market operator.

2.2 COMPANY ACTIVITIES

The principal activity of Borzen, whose sole shareholder is the Republic of Slovenia, is the implementation of the public utility service of the electricity market operator. On the basis of the public authority and in accordance with the fourth paragraph of Article 97 of the Energy Act (EA-1), Borzen is obliged to issue the following regulatory acts:

- Rules on the Operation of the Electricity Market (for which, prior to their publication in the O cial Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the Operation of the Electricity Balancing Market (which are issued after prior coordination with the system operator and for which, prior to their publication in the O cial Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the Operation of the Centre for Support (for which, prior to their publication in the O cial Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Slovenian Government).

With the above rules, Borzen provides coordinated operation of the electricity market and determines details regarding the national support scheme for electricity generation from renewable energy sources and high-e ciency cogeneration of heat and power. As Market Operator, Borzen provides and enables a coherent operation of the Slovenian electricity system, i.e. management of the Balance Scheme, recording of closed contracts, elaboration of indicative operational schedules, imbalance settlement and nancial settlement of transactions. In addition, Borzen also undertakes the tasks related to the establishment and functioning of the balancing market, where the system operator purchases or sells the energy for the balancing of imbalances. Borzen's Centre for Support is the support scheme operator for the generation of electricity from renewable energy sources (hereinafter: RES) and high-e ciency cogeneration of heat and power (hereinafter: CHP). The company also provides the functioning and managing of the Slovenian Registry of the Guarantees of Origin, which is an essential tool for ensuring the traceability of the origin or source of the electricity produced in Slovenia. Under its TRAJNOSTNA ENERGIJA ("SUSTAINABLE ENERGY") brand, it provides information, training and raises awareness on the use of renewable energy sources and energy e ciency. In this way, the company ful ls its tasks in accordance with Article 351 of

[1] GRI 102: 102-2

the Energy Act (EA-1) and supports environmental policies through public awareness.

In addition to the implementation of tasks of a public service, Borzen also executes clearing and information services for BSP Energy Exchange, RRM – REMIT reporting services and advisory services in the eld of energy markets.

Associated companies: Borzen has an ownership stake in BSP Energy Exchange where it participates also as its co-founder. It controls the company BSP d.o.o. together with the company ELES d.o.o., each holding a 50-percent stake in the company.

MARKET OPERATOR	
Balance Scheme management (entry in the market)	Centre for Support RES/CHP Support Scheme • conclusion of contracts and support payments • - management of scheme assets • - management of scheme energy
Recording of closed contracts and operational forecasts, drawing up of the indicative operating schedules	
Imbalance settlement	Guarantees of Origin Registry
Balancing market	Providing information on RES and EE
REMIT – RRM reporting	Web portal “Trajnostna energija” (Sustainable Energy)
CLEARING AND FINANCIAL SETTLEMENT	
ENSURING A REGULATED AND TRANSPARENT ELECTRICITY MARKET	
ENERGY-RELATED ADVISORY SERVICES	

Figure 2: Role of the Market Operator on the Slovenian electricity market

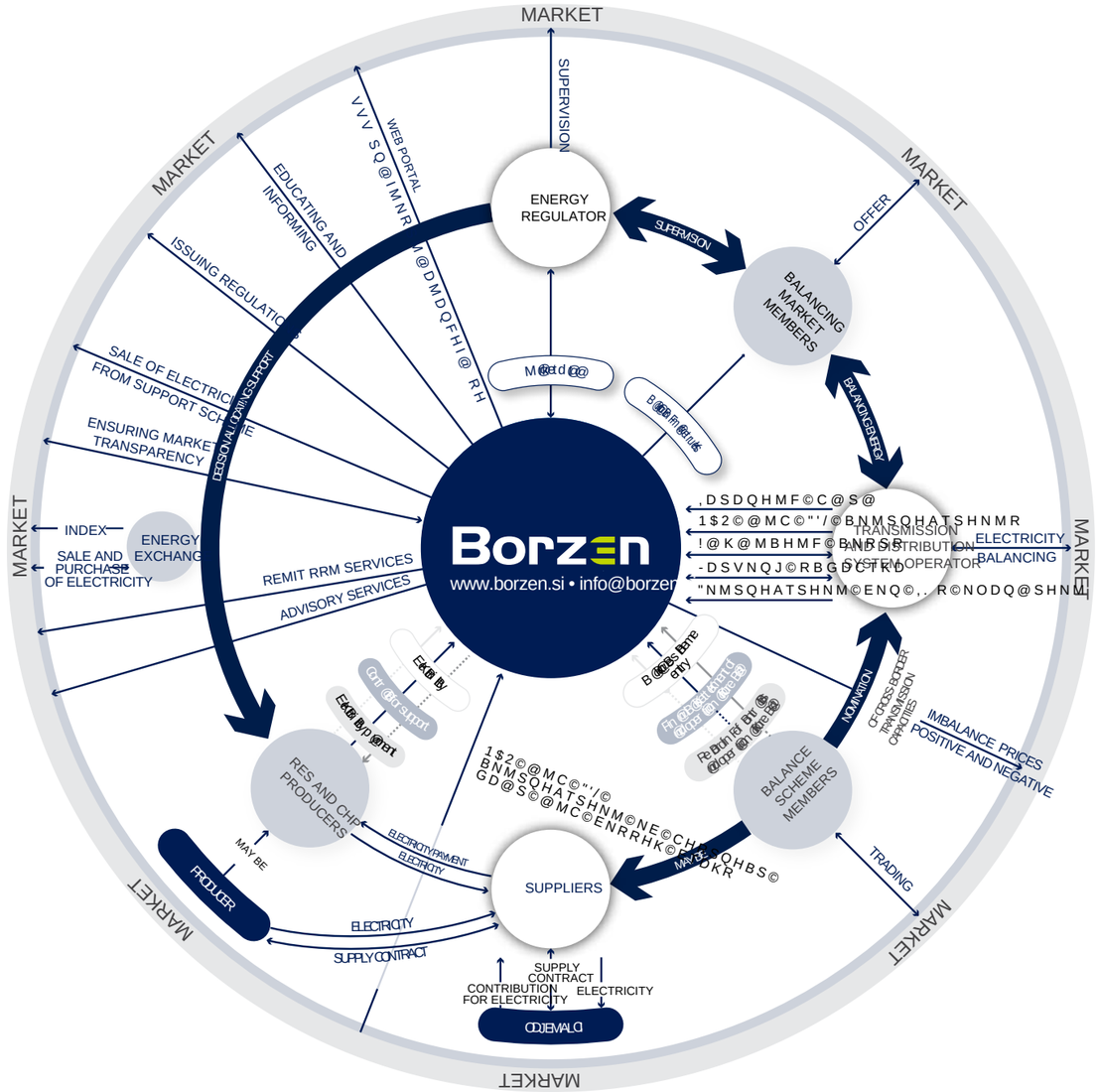

Figure 2: Role of the Market Operator on the Slovenian electricity market

2.3 COMPANY'S BUSINESS STRATEGY AND PLANS

We want to contribute to a better tomorrow today, which is why we are focusing our e orts on the realisation of strategic goals, which are closely connected with sustainable development, with emphasis on renewable energy sources and e cient use of energy.

VISION

Borzen is a juncture of expertise, competency and responsibility towards the development and implementation of services in energy markets and promotion of the use of renewable energy sources and the use of sustainable energy.

MISSION

- By way of providing high-quality services, professionalism and neutrality, Borzen ensures a competitive, e ective, transparent and system-de ned electricity market in Slovenia and its further integration into the European internal market.
- Borzen promotes energy e ciency together with the generation and use of energy from renewable sources.
- Borzen participates in the formation of the Slovenian and European energy policies.
- Borzen is a socially responsible company with a focus on sustainable development.
- Borzen provides an environment for the professional development of a highly motivated, professional and responsible workforce, and enables it to work and develop in a dynamic company.

VALUES

Responsibility > Expertise > Trust > Creativity and innovation

Figure 3: Company's strategy

KEY STRATEGIC GUIDELINES

- Achieving a satisfactory pro tability.
- Ensuring e cient operation through operational excellence.
- Consolidating existing activities and undertaking tasks that are in synergy with our services.

IMPLEMENTATION STRATEGY

Operational excellence		Growth and development
Enhancing operational e ciency and performance	Increasing the quality of services and customer satisfaction	Seizing select opportunities for growth and development
• Increasing the excellence of business functions; • Improving operational e ciency; • Increasing the quality of the implementation of business processes and functions	• E cient and quality implementation of activities and data management; • Co-shaping the Support Scheme through active participation in policy creation by providing analyses and suggestions.	• Looking for synergies with other tasks and optimising the existing ones, also through the further development of activities in the eld of energy markets.
• Ensuring the employees' fast response time, promptness and proactiveness in order to provide e cient support to the company; • Introduction of the process approach; • Enhancing "active" communication, which would improve speci c operating procedures and consequently the cooperation between divisions; • Making use of IT support to the implementation of services in order to provide and improve the quality of services for users and increase e ciency; • Maintaining Borzen's good reputation and recognition by strengthening activities that build sustainable operations and strengthen Borzen's reputation as a socially responsible and environmentally oriented organisation.		

ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2018

In 2018, Borzen successfully followed its strategic plans and objectives.

Planned objectives for 2018	Achieved objectives in 2018
Cooperation in the Slovenian and international development projects in the energy market	Participation in various working groups in the eld of the development of the energy market, among the most important ones are the cooperation within Europex, Energy Market Data Exchange Section (IPET Section) and Slovenian Association for Energy Economics (SAEE).
Smart devices, models and platforms in the active network (project PAKT)	Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium which was successful in the call for applications carried out by the Slovenian Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology (SPIRIT Slovenia). The project was launched on 1 July 2017 and will last for three years. Borzen's role is to establish and manage an aggregation trading platform.
Standard for ensuring information security	The company is managing its ICT infrastructure in accordance with internationally recognised standards and good practices of information systems management. This way we are providing a secure, available and trustwor thy information environment for all stakeholders. The information security management system, in accordance with the requirements of the ISO/IEC 27001:2013 standard, is therefore based on regular risk assessments and the implementation of risk control measures, on shaping suitable security policies, and on an internal and external assessment of the system's compliance with the standard's requirements. An external assessment has con rmed that the information security management system is suitable for the activities and size of the company, is being implemented in practice, and is properly documented.
Development of services of the Centre for Support	In order to follow the digitalisation trends and greater user-friendliness, we launched a web portal for the Centre for Support users in May 2016. The portal enables an easy and quick invoicing procedure, submission of applications, reviewing production data, changing contact details and accessing news related to the Support Scheme. The portal has more than 1,300 registered users.
Attention and kindness towards stakeholders	Analysing stakeholder satisfaction and a variety of other related activities, mainly in the eld of communicating with stakeholders; a greater involvement of stakeholders, a more targeted communication, and new content.
Sustainable development	A quality and reliable implementation of the principal activities of the Market Operator and the Centre for Support; implementation of activities of informing and raising awareness on sustainable energy; maintenance of the Corporate Social Responsibility Certi cate and the Family-Friendly Enterprise Certi cate; preparation of the Sustainability Report in accordance with the GRI guidelines; corporate volunteerism.
Optimisation of business processes and quality of operations	Optimisation of certain business processes and the provision of IT support to di erent business processes.

CORPORATE GOVERNANCE

Borzen, d.o.o., is a private limited company, fully owned by the Republic of Slovenia, and it provides its services exclusively in Slovenia. Borzen has a two-tier governance structure; the managing bodies are the Management, the Supervisory Board and the Shareholder.

MANAGEMENT OF THE COMPANY

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board for a ve-year period. General Manager Karol Peter Peršolja, PhD, has been managing and representing the company since 1 January 2010. On 1 January 2015, General Manager Karol Peter Peršolja, PhD, began a new ve-year term. The General Manager is in charge of making decisions on the economic, environmental and social impacts of the organisation; all processes within the organisation take place under his guidance and with approval.

The General Manager is entitled to a basic payment (salary) and an acceptable performance-based remuneration (performance-related bonus). The remunerations are de ned more thoroughly in the company's Financial Report, which is a part of Borzen's Annual Report.

Division managers are in charge of the execution of individual tasks. Social responsibility as a whole is overseen by the Public Relations O ce, which has set up an informal social responsibility team and reports directly to the General Manager.

SUPERVISORY BOARD OF THE COMPANY

- In line with the company's Articles of Association, the Supervisory Board consists of three members who are appointed by the Shareholder for a period of ve years. In accordance with the Companies Act, Borzen's Articles of Association and Rules of Procedure of the Supervisory Board, the Supervisory Board meets at least once every three months. In the nancial year 2018, the Supervisory Board held six regular sessions and two correspondence meetings. The Supervisory Board did not set up any special commission for the purpose of its operation. In 2018, the members of the Supervisory Board were entitled to bene ts for their function in accordance with the valid decision of the shareholder. The bene ts are speci ed in the Financial Report. For 2018, the members of the Supervisory Board carried out a self-assessment of their work and adopted an action plan. The members of the Supervisory Board were acquainted with the criterion of independence and signed an independence declaration.

In 2018, the Supervisory Board operated in the following composition:
- Chairman of the Supervisory Board: Gorazd A man, MSc;
- Vice-Chairman of the Supervisory Board: Janez erne;
- Member of the Supervisory Board: Alenka Kolar, PhD.

SHAREHOLDER

Since the enforcement of the Energy Act (EA-1) in March 2014, the rights of the Shareholder are exercised by the Government of the Republic of Slovenia, which is also the sole shareholder of Borzen. The shareholder decides independently on all matters within its competences. The shareholder usually holds one general meeting once a year. In the nancial year 2018, two general meetings were held; the rst one in June 2018 and the second in November 2018.

[2] GRI 102: 102-5, 102-18

ORGANISATIONAL CHART OF THE COMPANY'S ORGANISATIONAL UNITS

GENERAL MANAGER		
• Internal audit • Advisor to the general manager • Procurement/Public procurement • Project o ce • Reception o ce		
ECONOMIC DIVISION	**ENERGY DIVISION**	**GENERAL AFFAIRS**
• Finance and accounting • Marketing • Clearing services • Investment management	• Market Operator • Centre for Support	• Information technology • Administration and administrative operation • Legal a airs • Human resources

Figure 4: Organisational chart of Borzen, d.o.o.

3.1 PRECAUTIONARY PRINCIPLE OR APPROACH[3]

For successful business operations, it is of great importance to identify risks as e ciently as possible and to manage them successfully. Borzen is a company providing a public utility service, which consequently means that we are bound to our regulatory environment that greatly a ects all the categories of identi ed risks. The comprehensive risk management system is supported by a risk register that identi es all the key risks that can a ect the achievement of the company's planned business objectives and represents the company's strategic risk management.

Based on the activity and size of the company, the number of employees, the conduct on the market and the legislative framework that limits and binds the company's operations, we have classi ed the risks into four systematic groups, namely:

- Strategic/business risks;
- Operational risks;
- Financial/market risks;
- Legislative risks (risks of non-compliance with the regulations).

STRATEGIC/BUSINESS RISKS

Strategic or business risks are related to the successful implementation of the company's strategy and set strategic objectives, with the ability to ensure the short-term and long-term creation of operating revenues, as well as maintaining the value of the company's assets and reputation. These risks are related to changes in legal and statutory obligations and environmental impacts, which are consequently connected to the organisation of the company, its activities and restrictions on the company's operations.

One of the strategic risks is the investment risk related to the investment in the BSP Energy Exchange, in which Borzen holds a 50-percent equity stake. This is primarily related to the management of the investment, which represents an issue addressed by both stakeholders and their mutual coordination regarding the management and further development of the company. Other business risks include the risk of investments and procurement procedures which the company manages through constant improvement of the quality of preparation, implementation, activation and monitoring. In the course of monitoring the strategic/business risks in 2018, no signi cant deviations were detected.

OPERATIONAL RISKS

Operational risks are related to the damage caused by inadequately implemented internal processes, improper employee behaviour, information technology failures and low-quality services provided by external providers. The recognition and management of operation risks are crucial for the successful operation of the company since e cient internal processes, professionally quali ed, experienced and motivated employees ensure the prevention of operational risks and the correct and e cient adjustment of operations under all economic conditions.

In 2018, the number of recorded risks increased owing to the introduction of the ISO 27001 standard, as it requires a more granular view of risks in the eld of information security. Among the information system risks, there are signi cant risks of potential interruptions in the operation of the application and system software, hardware, communication and network connections, and special attention is paid to the risks associated with information security.

The human resources risks are of particular importance for the company, due to the implementation of di erent activities of the Market Operator and the speci city of the assigned tasks. In 2018, the competence model was revised and the project of introducing successions was implemented. In 2018, the monitoring of the labour market conditions showed that the employment trends are highly favourable and that the market is very open (the impact of the ageing population; a reduction in the available workforce/the impact of the economy; new jobs, etc.). This has resulted in an increased employee uctuation rate in the companies on the market. A similar trend can be observed in Borzen, as some of its employees have found new opportunities and challenges in other companies.

Other operational risks are limited by clearly de ned procedures, unambiguously de ned roles, responsibilities and powers of the employees, and the rules adopted by the company. In the course of monitoring the operational risks in 2018, no signi cant deviations were detected, apart from those described above.

FINANCIAL/MARKET RISKS

The nancial risk management pursues the attainment of stable operations, the management of nancial expenses within the planned framework and long-term solvency.

The risk of default or non-payment of nancial obligations means that there is a risk that the counterparty will not ful l its nancial liabilities in accordance with the contractual terms.

The liquidity risk de nes the ability to provide su cient funds for a prompt settlement of due liabilities. Borzen ensures the highest possible nancial liquidity by always having su cient liquid assets for settling due liabilities within the deadline and separately managing the assets under management.

LEGISLATIVE RISKS COMPLIANCE WITH THE REGULATIONS

A legislative risk is a risk related to the amendments and inconsistencies in the regulations on which the company has no in uence. Borzen's exposure to the regulatory risks is high, since the company's core business of a public utility service is a regulated activity. In this regard, it is necessary to emphasise that the source of nancing a public utility service is also regulated. In the course of monitoring legislative risks in 2018, no signi cant deviations were detected.

[3] GRI 102: 102-11

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

BORZEN AND SUSTAINABLE DEVELOPMENT

We are aware that we are leaving a sustainable footprint for the future. We are building it with small actions; today we are creating tomorrow. We understand the sustainable development as a commitment towards sustainable operations of our company, as well as the e orts of each of our employees to contribute to a better world through their work and in the service of society. Too ambitious? Maybe. Feasible? By all means.

Socially responsible conduct is contained in the core activity that we perform as the Market Operator, since we ensure reliable and stable functioning of the Slovenian electric power market, and promote and raise awareness on the use of green energy sources and energy e ciency as the Support Scheme Operator for RES and CHP.

At Borzen, we want to provide relevant information to all our stakeholders, thus contributing to the transparency of sustainable operations and, simultaneously, to a greater awareness in this eld; for this purpose, we have prepared this Sustainability Report. The integrated reporting shows the strategic relationship between the company's sustainable and economic value.

4.1 PARAMETERS OF THE COMPANY'S SUSTAINABILITY REPORT

This report gives an overview of business operations in the calendar year 2018 and has been prepared in accordance with the standards laid down in the Global Reporting Initiative (GRI) , which sets the global standards in sustainability reporting. This report comprises "core-level" reporting and presents the key information on the managerial, economic, environmental and social attitudes, and on their long-term impact on the company's business operations. This report also follows the guidelines of the Directive 2014/95/EU regarding the disclosure of non- nancial information . When preparing the report and de ning the material contents, all six GRI standards were applied: GRI 101 (Foundation), GRI 102 (General Disclosures), GRI 103 (Management Approach), GRI 200 (Economic Topics), GRI 300 (Environmental Topics) and GRI 400 (Social Topics).

When preparing the contents, we abided by the principles of sustainability reporting, namely the concept of sustainability, materiality, integrity and stakeholder engagement; in order to prepare a quality report, we followed the principles of balance, comparability, accuracy, clarity and reliability of data. The scope and foundations of the report, and consequently the choice of indicators, are prede ned by the very nature and mission of Borzen and by the material aspects selected by our key stakeholders. The nature of Borzen's operation limits the reporting on our services exclusively in Slovenia; moreover, it is fully state owned. Borzen as the Slovenian Electricity Market Operator mainly operates on the Slovenian market; through its involvement in international organisations and associations, certain projects and advisory services, it also actively co-shapes the Slovenian and international energy industry and delivers opinions.

[4] GRI 102: 102-46, 102-50, 102-54
[5] More information on sustainability reporting and GRI can be found on the website www.globalreporting.org.
[6] http://eur-lex.europa.eu/legal-content/SL/TXT/HTML/?uri=CELEX:32014L0095&from=EN.

Borzen owns business premises in a multi-dwelling building; as a smaller co-owner, it has a limited in uence on the joint building issues (choice of energy-generating products, insulation, etc.) and it cannot in uence the choice of energy-generating products at the backup location or collocation, where some of its IT servers are located. The nature of the company's business operations requires a high-availability and high-security IT environment (a larger number of high-density servers, a doubled infrastructure – a backup location), which has a signi cant impact on our sustainability footprint. Nevertheless, by consolidating the computer infrastructure and using virtual environments that enable a more rational and optimal use of available sources, we are trying to reduce our consumption of electricity.

At the same time, Borzen, as a fully state-owned provider of a public utility service, is de ned by or its operations are limited by the legislation and other legal acts, mainly the Energy Act, Public Procurement Act, Public Information Access Act, the concession contract, and various recommendations and codes of the shareholder.

4.2 OUR STAKEHOLDERS[7]

Borzen is a juncture of the electricity market and our stakeholders are all those who are a ected by its business operations and those whose business operations a ect Borzen. Thus, the key stakeholders are closely connected with the company's core activity.

Figure 5: Stakeholders of Borzen

STAKEHOLDER ENGAGEMENT

The de nition and selection of stakeholders was carried out based on a broader consensus and with input from all the employees and the company's management.

We based our work on the theoretical model: the stakeholders' engagement and impact scheme. After all, the stakeholders' scheme is a part of Borzen's strategy, with which the Supervisory Board has been acquainted and which the shareholder has adopted. We regularly communicate with the identi ed key stakeholders, focusing on two-way communication. That way we obtain valuable feedback from the stakeholders, which we then suitably evaluate and respond to.

The opinions of our stakeholders are important to us; we are creating an atmosphere of open dialogue and are building relationships openly and proactively. A responsible attitude towards our stakeholders is embedded in our business processes, both on the strategic and day-to-day level. Satis ed stakeholders give a positive signal implying that our services are performed in a quality manner and that we are ful lling our public service mission. The company involves stakeholders in di erent ways: periodically (each year) by conducting a satisfaction survey among external stakeholders (since 2012) and periodically (every two years) with a structured satisfaction analysis among employees (since 2013); in 2018, we also began a satisfaction analysis among RRM – REMIT users, the results of which have shown that 85.72 percent of respondents are satis ed or more satis ed than dissatis ed with the service. The results of the satisfaction analysis of the Market Operator in the market organisation segment (periodically, i.e. every two years, we measure the satisfaction of users of the Centre for Support's services and of users of the Market Operator's services) from 2018 show that the provision of services is at a very high level, i.e. 87 percent of respondents were satis ed or completely satis ed with its services, while the average satisfaction rating equalled 5.3 (with 6 being the highest value) and is statistically higher than the value from the previous measurement of the satisfaction of users of the Market Operator's services from 2016 (5.00). The results are remarkably positive and encouraging. In the future, we will continue to conduct satisfaction analyses.
It should be noted that we regularly hand out survey questionnaires within the scope of individual activities carried out for external stakeholders (relating to their satisfaction, proposals, initiatives, etc.) regarding an individual activity, e.g. during events (the conference Sustainable Energy Locally, Borzen's RRM – REMIT meeting, events for students, etc.), regarding contents we prepare for educational institutions (educational material to accompany the environmental cartoon series "Lepši svet" (A Better World)), and the like.

4.3 SELECTED KEY SUSTAINABLE DEVELOPMENT INDICATORS[8]

This Sustainability Report has been prepared by the competent persons in the company, with the participation of the relevant groups of stakeholders. The competent employees, the core management and the General Manager take part in preparing the consolidated nancial statements of Borzen. The statements were reviewed by an external audit service and validated together with Borzen's Annual Report by the Supervisory Board; afterwards they were made public and submitted to the key stakeholders. The competent employees, the core management and the General Manager also take part in shaping the contents of the Sustainability Report; its preparation also involves the external and internal stakeholders of Borzen. These stakeholders were representatives of employees, representatives of members of balance groups, representatives of the Centre for Support, representatives of the media, representatives of the energy industry, and business partners. In the questionnaire, the stakeholders identi ed and de ned the following aspects as material:

- Stability and business/ nancial performance of the company;
- Quality and timely implementation of PUS;
- The company's transparent and coordinated operations;
- Reliability and trust in the company;
- Responsible and sustainability-oriented operation of the company;
- E cient risk management system;
- Regular payer;
- Upgrade of existing collaborations;
- Friendly attitude towards clients;
- Reputation of the company;
- Employment and caring for employees;
- Employee relations;
- Employee satisfaction;
- Career development, training and education of employees;
- Ensuring a safe working environment;
- Diversity, equal opportunities and non-discrimination;
- Involvement of the local community;
- Caring for the environment.

The Sustainability Report has not been revised by an external auditor and is publicly accessible.

MATERIALITY

[7] GRI 102: 102-40, 102-42, 102-43, 102-44

[8] GRI 102: 102-43, 102-45, 102-46, 102-47
[9] In the questionnaire, the stakeholders identi ed and de ned the key aspects relevant to Borzen's business operations in 2018.

The indicators selected with the help of our stakeholders re ect all those elements that leave the biggest sustainability mark on our company's operations. With the selected indicators we want to show the most important e ects our business operations have on society and the environment.

Figure 6: Material contents of the Sustainability Report

As a service provider that performs the function of a public utility service in Slovenia, it is di cult to nd correlations with a substantial number of environmental indicators; moreover, we are aware that Borzen is made up of people working for people. Thus, several of the selected indicators relate to the social and economic area. All of the identi ed aspects refer solely to Borzen and its business operations within Slovenia.

All the aspects described below are material for Borzen; furthermore, the limitations of the organisation, as described in the "Reporting parameters" chapter, apply to all the aspects.

4.4 STAKEHOLDERS' ENGAGEMENT AND THEIR EXPECTATIONS[10]

Based on strategic policies, we identi ed the key stakeholders from the selection of Borzen's stakeholders and de ned their expectations and the ways in which they are involved in our company's operations.

Key stakeholders	Form of engagement
Representatives of Balance Scheme members	• Website • Annual Report • Satisfaction survey • Public debates on rules • Personal, telephone and electronic contacts
Representatives of the Centre for Support	• Website • Web portal • Satisfaction survey • Personal, telephone and electronic contacts
Representatives of the energy industry	• Website • Annual Report • Promotional activities • Meetings and conferences • Personal, telephone and electronic contacts • Public debates on rules
Business partners	• Website • Personal, telephone and electronic contacts
Employees	• Satisfaction survey • Measurement of organisational climate • Sessions and meetings • Annual interviews • Team building sessions

4.5 MATERIALITY MATRIX[11]

The materiality matrix is the basic framework or tool used by the company to manage its relations with the strategic audiences or with its key stakeholders. We have de ned the material topics of sustainable development and assessed them from the aspect of importance to our key stakeholders and from the aspect of importance to Borzen. Based on the material contents of GRI standards and based on Borzen's strategy and activities, we divided the material contents into the following sets:
- Economic impacts;
- Social impacts (employees and the social environment);
- Environment.

ECONOMIC IMPACTS
- Stability and business performance of the company;
- E cient risk management system;
- Payment reliability;
- Upgrade of existing collaborations;
- Transparent and coordinated operations;
- Quality and timely implementation of services.

[10] GRI 102: 102-43, 102-44
[11] GRI 102: 102-46, 102-47

SOCIAL IMPACTS EMPLOYEES AND THE SOCIAL ENVIRONMENT
- Reputation of the company;
- Reliability and trust in the company;
- Responsible and sustainability-oriented operation of the company;
- Caring for employees;
- Occupational safety and health;
- Employee relations;
- Employee satisfaction;
- Education, training and career development of employees;
- Diversity, equal opportunities and non-discrimination;
- Friendly attitude towards clients;
- Involvement of the local community.

ENVIRONMENT
- Caring for the environment.

The assessments of the key stakeholders were obtained with questionnaires; a materiality matrix was prepared based on the answers received. Below is the materiality matrix for 2018.

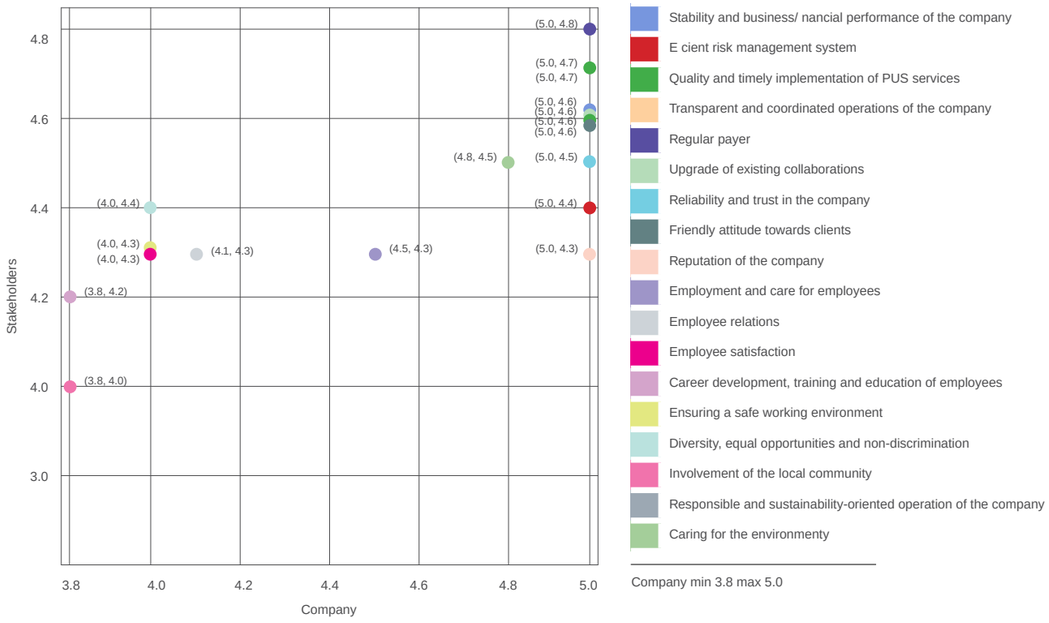

Figure 7: Materiality matrix

BUSINESS PERFORMANCE AND RELEVANT DATA ON THE COMPANY'S OPERATIONS[12]

5.1 ECONOMIC INDICATORS

The table below shows the data on the company's operations with the purpose of presenting Borzen's operations in a transparent manner.

INDICATORS	2016	2017	Business Plan 2018	2018
FROM THE BALANCE SHEET as at 31 December				
Assets in EUR	76,335,698	122,433,365	136,865,535	172,339,210
Equity in EUR	4,435,041	5,130,887	5,587,259	5,491,810
FROM THE INCOME STATEMENT				
Operating revenues in EUR	4,348,563	4,532,107	4,486,500	4,344,556
Operating expenses in EUR	2,661,138	2,651,078	2,677,300	2,810,659
Net pro t for year in EUR	1,424,774	1,699,773	1,488,132	1,365,804
EBIT – operating pro t in EUR	1,687,425	1,881,029	1,809,200	1,533,897
EBITDA – operating pro t + depreciation + write-o s in EUR	2,054,681	2,231,117	2,138,800	1,836,404
PERFORMANCE INDICATORS				
Return on equity (ROE)	31.1 %	35.5 %	27.9%	25.7%
Return on assets (ROA)	2.3 %	1.7 %	1.2%	0.9%
EBITDA margin	47.3 %	50.8 %	47.7%	42.3%
Operating e ciency	163.4 %	171.0 %	167.6%	154.6%
NUMBER OF EMPLOYEES as at 31 December	31	30	30	30

Table 1: Data on Borzen's operations

Borzen closed the nancial year 2018 with a net pro t of EUR 1.37 million. In this period, the company generated EUR 4.49 million in total revenues and the total expenses amounted to EUR 2.82 million.

As at 31 December 2018, the balance sheet total equalled EUR 172.34 million and, compared to the previous year, increased due to the higher surplus funds of the Centre for Support.

As at 31 December 2018, the company's equity capital equalled EUR 5.49 million.

[12] GRI 102: 102-7, GRI 201: 201-1