

2016

SUSTAINABILITY REPORT

BORZEN

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1. OUR SUSTAINABLE VISION

ENERGY INDUSTRY IS FACING THREE REVOLUTIONS AT ONCE – LIBERALISATION, DECARBONISATION AND TECHNOLOGICAL CHANGES

The energy industry is rapidly changing and these changes are mostly related to the following three factors: market liberalisation (in Slovenia, the liberalisation began at the turn of the new millennium), decarbonisation (i.e. low carbon transition) and new technologies that require changes in practically all areas. The objectives that Slovenia has set for itself in the field of renewable energy sources and CO₂ reduction, building renovations, energy efficiency and other areas can only be achieved through collective effort and with a focused mind-set that is ready to adapt to the changing situation. At Borzen, we support a more effective functioning of a single energy market, as well as the new ways of managing the national climate and energy policies, as we are implementing certain mechanisms that will help bring positive changes, e.g. the support scheme for RES/CHP and providing information and raising awareness on RES and EE.

BORZEN'S CORE ACTIVITY IS GEARED TOWARDS SUSTAINABLE DEVELOPMENT

With its mission and operation, Borzen helps to achieve some of these obligations. The nature of Borzen's core business is oriented towards sustainability. On the one hand, we encourage the more widespread use of green energy and energy efficiency through our support scheme for renewable energy sources and high-efficiency cogeneration. Within the scope of our own brand Trajnostna energija ("Sustainable Energy"), we perform a wide range of activities in the field of information provision and raising awareness on renewable energy sources and energy efficiency. On the other hand, as Market Operator, we contribute to a stable, transparent and well-functioning electricity market, which is important both in terms of the economy and from the point of view of households, public administration and NGOs. We are a vital link in the chain of the electricity provision, which is in itself a socially responsible task.

A HUB OF KNOWLEDGE AND IDEAS

Borzen is a company focused on development. All our development activities are undoubtedly related to knowledge which occupies a priority place within the values of our company. We operate in a dynamic environment, to which we successfully adapt with our flexibility and strategic planning. Our stakeholders are at the core of our strategy. Our sought objectives are anchored towards the optimisation and development of our services, with a desire to exceed our stakeholders' expectations. We are aware that we are creating a sustainable footprint on the environment, both socially and naturally. Therefore, we aim to ensure that our footprint is both positive and responsible.

Karol Peter Peršolja, PhD
General Manager

G4-1: Statement of the company's management on the importance of sustainable development

2. COMPANY PRESENTATION

ABOUT THE COMPANY

Borzen was founded on 28 March 2001 as a subsidiary of Elektro - Slovenija 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. In mid-2007, on the proposal of the Ministry of Economy and as the founder and sole shareholder of the public company Elektro - Slovenija, the Government of the Republic of Slovenia 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 entry into force of the new Energy Act (EA-1), Borzen was entrusted with a task of the public service obligation relating to the activity of electricity market operator.

The principal activity of Borzen, whose sole shareholder is the Republic of Slovenia, is **the implementation of the public service obligation relating to the activity of 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 issues regulatory acts in the following terms:

- Rules on the operation of the electricity market (for which, prior to their publication in the Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules for 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 Official Gazette of the Republic of Slovenia, Borzen must obtain the consent of the Energy Agency);
- Rules on the operation of Centre for RES/CHP Support (for which, prior to their publication in the Official 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 national RES and CHP Support Scheme. 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 financial 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 RES/CHP Support** is the support scheme operator for the generation of energy from renewable energy sources and high-efficiency cogeneration of heat and power. The Company also provides the functioning and managing of the Slovenian Guarantees of Origin Registry, 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, Borzen **provides information, training and raises awareness** on the use of renewable energy sources and energy efficiency. In this way, the Company fulfils its tasks in accordance with Article 351 of the Energy Act (EA-1) and supports environmental policies through public awareness.

In addition to the implementation of tasks of a public service of the organised electricity market, Borzen also **executes clearing services, information services and REMIT - RRM reporting services for BSP Regional Energy Exchange**.

ACTIVITIES OF THE MARKET OPERATOR

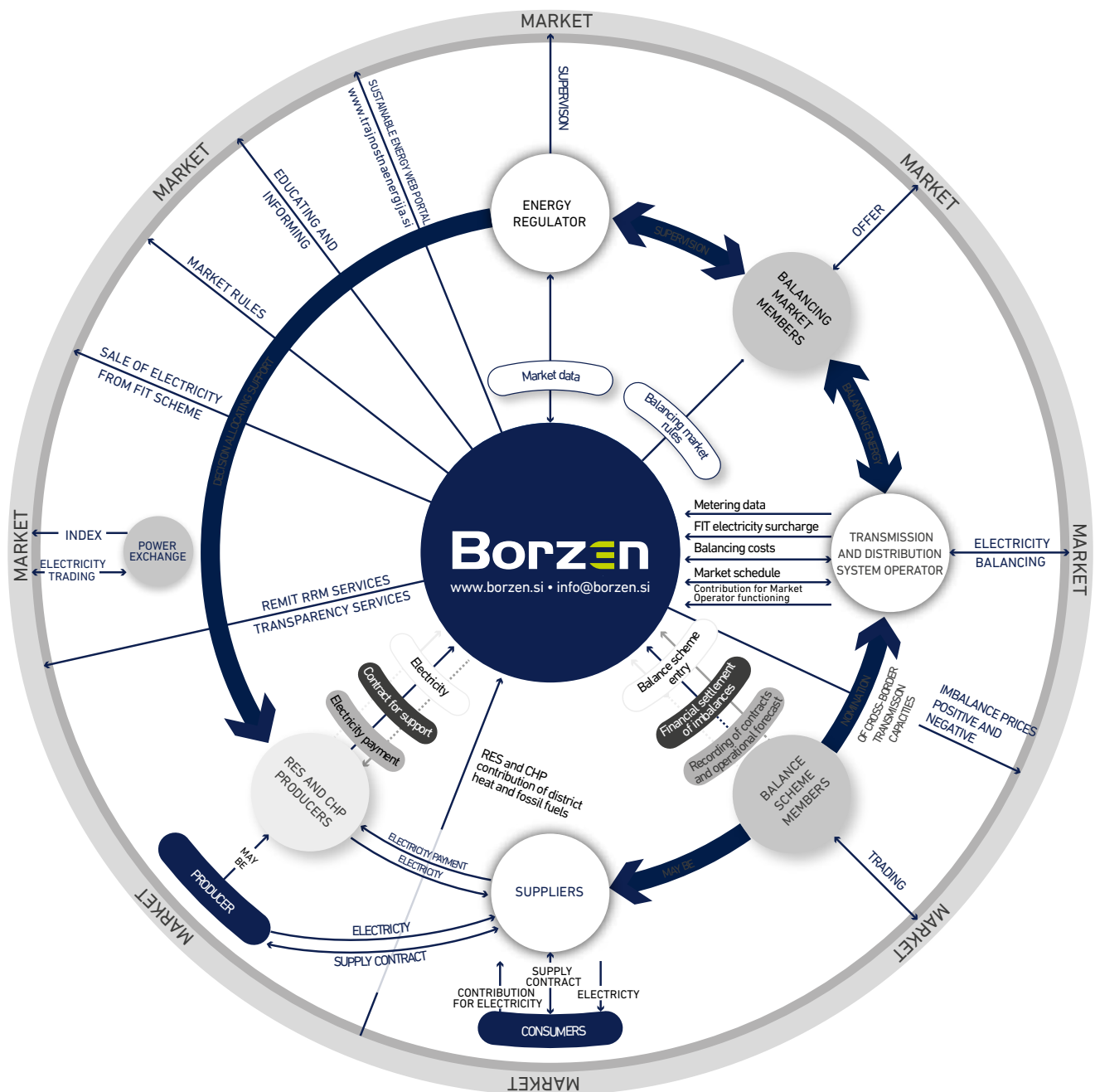
FIGURE 1

MARKET OPERATOR	
Balance Scheme management (entry in the market)	Centre for Support RES/CHP Support Scheme
Recording of closed contracts and operational forecasts, drawing up of the indicative operating schedules	- conclusion of contracts and support payments - management of scheme assets - management of scheme energy
Imbalance settlement	Registry of Guarantees of Origin
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	

G4-4: Primary brands, products and/or services

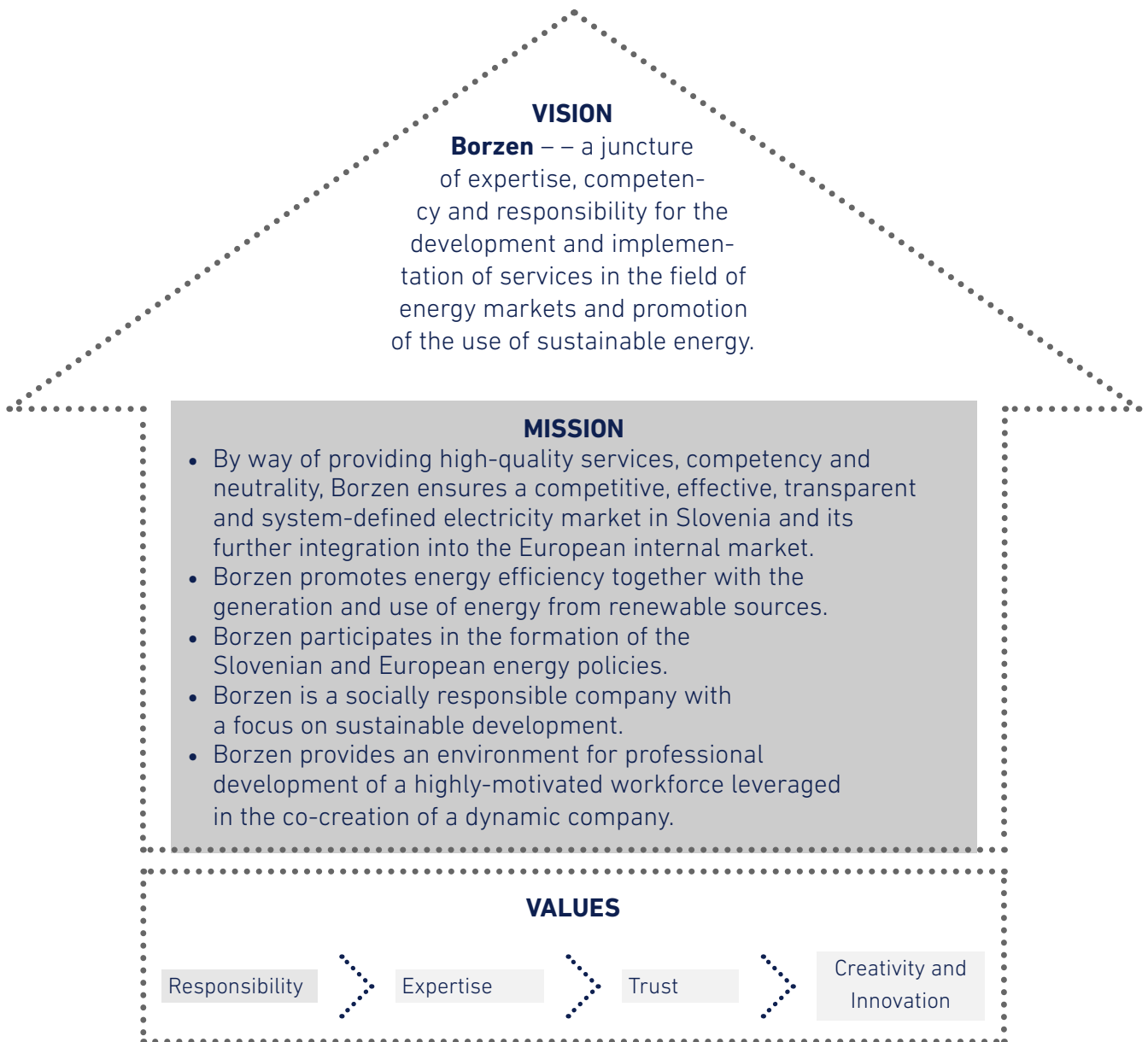
ROLE OF THE MARKET OPERATOR ON THE SLOVENIAN ELECTRICITY MARKET

FIGURE 2



'STRATEGY HOUSE'

FIGURE 3



IMPLEMENTATION STRATEGY

FIGURE 4

OPERATIONAL EXCELLENCE		GROWTH AND DEVELOPMENT
<p>Enhancing operational efficiency and performance</p> <ul style="list-style-type: none"> strengthening the excellence of business functions increasing operational efficiency increasing the quality of processes and business functions 	<p>Care for high-quality service and customer satisfaction</p> <ul style="list-style-type: none"> effective and quality implementation of activities and data management co-shaping the support scheme with an active participation in the formation of policies by way of providing analyses and suggestions 	<p>Use of selected opportunities for growth and development</p> <ul style="list-style-type: none"> finding synergies with other tasks and optimisation of the existing ones, by way of using further development of activities in the field of energy markets ensuring high responsiveness, timeliness and pro-activeness of the employees to provide an effective support to the Company introducing the process approach strengthening the 'active' communication, which would improve certain work processes and, consequently, cooperation between the divisions using the information support for the provision of services to provide and improve the quality of services to users and to increase efficiency maintaining a good visibility profile and reputation of Borzen by consolidating activities that build sustainable operation and enhance Borzen's reputation as a socially responsible and environmentally-oriented organisation

Associated companies: Borzen has an ownership stake in BSP Regional Energy Exchange, in which it also participated as its co-founder. BSP Regional Energy Exchange is managed by Borzen and ELES, each having a 50-percent stake.

COMPANY'S BUSINESS STRATEGY AND PLANS

KEY STRATEGIC OBJECTIVES:

- Achieving a satisfactory profitability.
- Ensuring efficient operation through operational excellence.
- Consolidating existing activities and undertaking tasks that go in synergy with the services carried out by Borzen within the framework of the public service obligation.

ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2016

In 2016, the Company successfully followed its strategy and objectives.

PLANNED OBJECTIVES FOR 2016	ACHIEVED OBJECTIVES IN 2016
Cooperation in the Slovenian and international development projects in the energy market	Participation in various working groups in the field of the development of the energy market, among the most important ones are cooperation within Europex and the iPET Section (Energy Market Data Exchange).
Developing services of the Centre for Support	Launch of a new web portal, available to users since mid-2016 and intended for an easier exchange of information with the Centre for Support.
Attention and kindness towards stakeholders	Analysis of stakeholder satisfaction and a variety of other related activities, mainly in the field of communicating with stakeholders; greater involvement of stakeholders and more targeted communication of the new content.
Sustainable development	Quality and reliable implementation of the principal activities of the Market Operator and Centre for Support; implementation of the Trajnostna energija brand activities; obtaining the Corporate Social Responsibility Certificate; 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 different business processes.

3. 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's yesterday. We understand the sustainable development as a commitment towards sustainable operations of our company as well as the efforts 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 behaviour is at the core of our company's business activity. As Market Operator, we provide a reliable and stable operation of the Slovenian electricity market, and as the provider of the RES and CHP support, we encourage and raise awareness on the use of green energy and energy efficiency.

WE ARE AWARE OF OUR SUSTAINABLE FOOTPRINTS THAT WE ARE LEAVING BEHIND FOR FUTURE GENERATIONS.

At Borzen, we strive to provide relevant information to all our stakeholders and in this way contribute to the transparency of the sustainable business, while, at the same time, we also seek to raise awareness in the field of sustainability. For this purpose, we have prepared the present sustainability report, which illustrates the strategic relation between sustainable and economic value of the Company.

3.1 PARAMETERS OF THE COMPANY'S SUSTAINABILITY REPORT

The following sustainability report presents an overview of the Company's business in 2016. It has been prepared

SUSTAINABLE CONCEPT

in accordance with the GRI 4 global guidelines (Global Reporting Initiative)¹, which define the global standards for sustainability reporting. The report covers the reporting on level C and includes key information on economic, environmental, social and management

G4-28:
Reporting period for information provided

G4-32: Reporting level

G4-18: Process for defining the report content and the Aspect Boundaries

relations and their long-term effects on the Company's operations. In this report, we also follow the guidelines of the European directive on non-financial reporting*.

In the preparation of the content, the following key principles of sustainability reporting were taken into account: the concept of sustainability, materiality, integrity and stakeholder engagement, whereby we followed the principles of balance, comparability, accuracy, clarity and reliability of data. The scope and basis of the report, and consequently, the selection of indicators, are predefined by the nature and mission of the Company, as well as by the selection of essential aspects by the Company's key stakeholders. The nature of Borzen's operations restricts reporting on its service activity, which is exclusively carried out in Slovenia and is under 100-percent State ownership.

¹More information on sustainability reporting can be found at the following website: www.globalreporting.org.
*<http://eur-lex.europa.eu/legal-content/SL/TXT/?uri=CELEX%3A32014L0095>

As Market Operator, Borzen primarily operates in the Slovenian market, but within the framework of cooperation in international organisations and associations, the Company is also active in creating and delivering opinions in the Slovenian and European energy policies.

Borzen owns the business premises in a multi-dwelling unit, where it has, as a small co-owner, an extremely limited impact on the issues that concern the general residential matters, such as the choice of energy products, building insulation etc. Furthermore, the Company has no influence on the choice of energy products in the alternative location/co-location, where it houses some of its IT servers. The nature of our business requires a highly available high-security IT environment (a greater number of more powerful servers, duplicated infrastructure/alternative location), which has a significant impact on our sustainability

footprint. Nevertheless, with the help of the consolidation of the IT infrastructure and the use of virtual environments that allow more rational and optimal usage of the available resources, we are trying to reduce the Company's power consumption.

As the public utility service provider, Borzen's operation is limited by legislation and other legal acts, which mainly consist of the Energy Act, Public Procurement Act, Public Information Access Act, concession contract and various policy recommendations and codes issued by the Shareholder.

STAKEHOLDER ENGAGEMENT

- G4-24:**
List of stakeholder groups
- G4-25:**
Basis for identification and selection of stakeholders
- G4-26:**
Organisation's approach to stakeholder engagement

3.2 OUR STAKEHOLDERS

Borzen is a juncture of the electricity market. Our stakeholders are all those individuals and groups who are influenced by our operation, as well as those who have, through their operation, impact on us. Our key stakeholders are thus closely related to the core activity of our company.

BORZEN'S STAKEHOLDERS

FIGURE 5



The identification and selection of stakeholders were carried out on the basis of broader consensus and contributions by the relevant employees and Borzen's management. We have relied on a theoretical model, i.e. the scheme of stakeholders' engagement and influence. Ultimately, the stakeholder scheme is a part of the Company's strategy, which was presented to the Supervisory Board and was adopted by the Shareholder.

Our stakeholders' opinions are truly important to us. We conduct and create an atmosphere for an open dialogue and build our relations openly and proactively. The Company's approach to stakeholder engagement consists of the following elements: a periodical survey on stakeholder satisfaction (every two years; from 2012 onwards) and a periodical structured analysis of employee satisfaction (every two years; from 2013 onwards).

3.3 SELECTED KEY INDICATORS OF SUSTAINABLE DEVELOPMENT

The present sustainability report was prepared by the responsible employees within the Company and relevant stakeholder groups were also involved in its preparation. The consolidated financial statements of the Company were prepared by the responsible employees within the Company, immediate management members and general manager. The financial statements were reviewed by an external audit firm and were, together with the Company's annual report, approved by the Supervisory Board. The financial statements were also made publicly available and disclosed to the Company's key stakeholders. The responsible employees, immediate management members and general manager were also responsible for preparing the contents of the sustainability report, together with the external stakeholders, who were also involved in its preparation. The external stakeholders included the representatives of the employees, representatives of the balance groups members and representatives of the Centre for RES/CHP Support, media representatives, representatives of the expert public from the energy sector and business partners. Through a questionnaire, the stakeholders identified and defined the following aspects as essential: business success, energy, emissions, non-discrimination and labelling of products and services. The Company has already reported on these aspects and has included them in the sustainability report. However, the stakeholders also identified the following aspects as important: compliance, anti-corruption, public policy and anti-competitive conduct. The Company does not report on these issues, although they are included in the Company's policies and practices. The sustainable report is publicly available, but it has not been audited by an external auditor.

MAIN CONTENTS OF THE SUSTAINABILITY REPORT

FIGURE 6



The chosen indicators reflect all those elements that, within the operation of the Company, leave behind the strongest sustainable footprint. With the selected indicators we want to point out the most significant social and environmental impacts of our operation.

As a service company that performs the function of a public service provider in Slovenia, we hardly find any correlation with the large number of environmental indicators. In particular, we are aware that, here at Borzen, we are people who work for people. Thus, several selected indicators relate to the social and economic fields. All the identified aspects are relating solely to Borzen and its operation in Slovenia.

All of the described aspects are essential for Borzen and are subject to the aspect boundaries within the Company, which are described in the section on reporting parameters.

G4-17:
Entities included in the organisation's consolidated financial statements

MATERIALITY

G4-19:
Material Aspects identified in the process for defining report content

INTEGRITY

G4-20:
Significance of the Aspect Boundaries within the organisation

G4-7:
Nature of ownership and legal form of the organisation

G4-34:
Governance structure of the organisation

4. CORPORATE GOVERNANCE

Borzen is a limited liability company under 100-percent State ownership. It provides its services exclusively in Slovenia and has a two-tier system of governance. The managing authorities of the Company consist of Management, Supervisory Board and Shareholder.

COMPANY'S MANAGEMENT

The management of the Company is a one-member body, i.e. the General Manager, who is appointed by the Supervisory Board for a five-year period. Karol Peter Peršolja, PhD has been managing and representing the company since 1 January 2010. On 1 January 2015, Mr. Peršolja was reappointed general manager for a new five-year term. The general manager is responsible for adopting decisions on economic, environmental and social impacts of the Company and every process in the organisation is carried out under his authority and approval. The general manager is entitled to a basic payment (salary) and an acceptable remuneration for the performance of the Company (performance-related pay). The remunerations are presented in more detail in the financial part of the Company's annual report.

The execution of specific tasks is under the responsibility of the Company's heads of departments. Social responsibility as a whole is under responsibility under the public relations department, which has set up an informal team of social responsibility and reports directly to the general manager.

COMPANY'S SUPERVISORY BOARD

In line with the Act of the establishment, the Supervisory Board consists of three members, all appointed by the Shareholder for a period of five years.

In accordance with the Companies Act, the Act of establishment of Borzen and the Rules of the procedure of the Supervisory Board, the Supervisory Board meets at least once every three months. In the 2016 financial year, the Supervisory Board held five regular sessions and did not establish a special committee for its work. In 2016, the Supervisory Board members were entitled to remuneration for the performance of their function based on the applicable decision of the Shareholder, which are presented in more detail in the financial report. The members of the Supervisory Board self-assessed their work for 2016, took note of the criteria of independence and signed a commitment to act independently.

SHAREHOLDER

Since the entry into force of the Energy Act in March 2014, the rights of the Shareholder are exercised by the Government of the Republic of Slovenia, who is also the sole Shareholder of Borzen. The Shareholder decides independently on all matters within its sphere of competence. Usually, the Shareholder attends the general meeting once per year. In the 2016 financial year, three general meetings were held, the first one in June 2016 and the second one on 14 December 2016.

4.1. PRECAUTIONARY APPROACH AND PRINCIPLES

For a successful business operation it is of great importance to identify risks in the most efficient manner possible and to provide successful risk management. Borzen is a company providing public service. Consequently, that means that we are bound by our regulatory environment which has a strong impact on all the categories of identified risks. The system of integrated risk management is supported by the register of risks where all key risks which can have an impact on the attainment of the Company's set business goals have been identified and present the strategic risk management in the Company.

In the phase of identification, risks are classified into four groups based on the size of the company and its activities, number of employees, market presence and the legislative framework that limits and binds the company:

- strategic/business risks,
- operational risks,
- financial/market risks,
- risks of non-compliance with the regulations (legislative risks).

G4-14:
Precautionary approach and principles

STRATEGIC/BUSINESS RISKS:

One of the strategic risks is the investment risk that is related to the investment into BSP Energy Exchange where Borzen has a 50-percent stake. It is mainly about the risk related to the investment management, which is the issue that has been addressed by both shareholders and their mutual coordination concerning the management and further development of the company. Other business risks arise from investments and public procurement procedures that are managed by constant improvement of the quality of investment preparation, implementation, activation and monitoring.

OPERATIONAL RISKS:

Information system risks include possible disruptiwons in the operation of the application and system software, hardware and communication and network connections. Special attention is also given to the risks related to information security. These risks are primarily reduced by the redundant independent optical connections between the two locations, synchronous replication, central surveillance system and data backup.

Human resource risks are especially vital for Borzen due to the implementation of different activities within the organisation of the electricity market and the specificity of the assigned tasks.

Every year, additional tasks acquired by Borzen demand that the employees constantly upgrade their existing knowledge and obtain new knowledge, flexibility and quality team work. The biggest risk for the company is the possibility to lose its key employees; this is why special attention is devoted to social dialogue, additional professional training, motivation of the employees and providing stimulating working conditions and working environment.

Other operational risks are limited by the Company through clearly defined procedures, unambiguously defined roles, responsibilities and authorities of employees and adopted regulations.

FINANCIAL/MARKET RISKS:

The financial risk management implies the attainment of stable operations, management of financial expenses within the planned framework and long-term solvency. **The risk of non-fulfilment of financial obligations** means that there is a risk that the counterparty would not fulfil their financial liabilities in accordance with the contractual terms. Liquidity risk defines the ability to provide adequate financial funds for prompt payment of due liabilities. Borzen ensures the highest financial liquidity by always having at its disposal sufficient liquid assets for the settlement of due liabilities within the deadline and

by managing the allocated funds separately.

LEGISLATIVE RISKS/ COMPLIANCE WITH THE RULES:

A legislative risk is a risk related to the amendments made to regulations and their ambiguity and cannot be influenced by the company. The exposure of Borzen to legislative risks is considerably high since the core business of the company being a public service provider is thoroughly regulated. It also needs to be emphasised that the sources for financing a public service are also regulated.

G4-9: Scale of the organisation

G4-EC1: Economic value

5. BUSINESS PERFORMANCE AND RELEVANT DATA ON THE COMPANY'S OPERATION

5.1 ECONOMIC INDICATORS

The following table shows the relevant data on Borzen's operations. In this way, we wish to present Company's business performance in a transparent manner.

DATA ON THE COMPANY'S OPERATION

TABLE 1

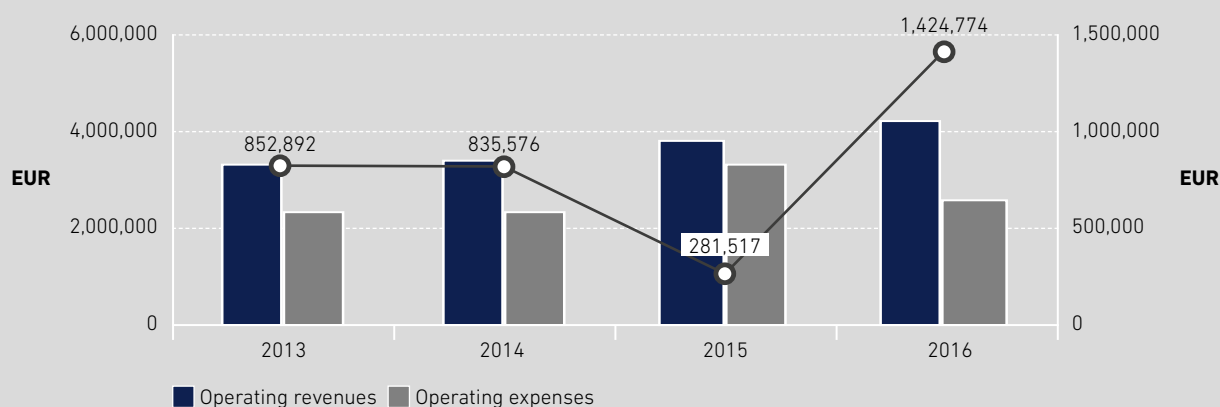
INDICATORS	2013	2014	2015	Business plan 2016	2016
FROM BALANCE SHEET as at 31 December					
Assets in EUR	27,733,832	35,429,681	44,949,382	38,269,885	76,335,698
Equity in EUR	5,199,251	5,291,811	4,738,582	4,767,749	4,435,041
FROM THE INCOME STATEMENT					
Operating revenues in EUR	3,409,121	3,499,818	3,914,975	3,962,500	4,348,563
Operating expenses in EUR	2,429,008	2,402,439	3,375,905	2,676,300	2,661,138
Net profit for the financial year in EUR	852,892	835,576	281,517	1,069,206	1,424,774
EBIT – operating profit in EUR	980,113	1,097,379	539,070	1,286,200	1,687,425
EBITDA – operating profit + depreciation + write-offs in EUR	1,349,059	1,435,781	1,671,988	1,672,500	2,054,681
PERFORMANCE INDICATORS					
Return on equity (ROE)	17.9 %	15.9 %	5.6 %	21.0 %	31.1 %
Return on assets (ROA)	3.6 %	2.7 %	0.7 %	2.7 %	2.3 %
EBIDTA margin	39.6 %	41.1 %	42.7 %	42.2 %	47.3 %
Operating efficiency	140.4 %	145.7 %	116.0 %	148.1 %	163.4 %
NUMBER OF EMPLOYEES as at 31 December	31	29	30	31	31

Borzen concluded the 2016 financial year with a net profit of EUR 1.42 million. In this period, Borzen generated EUR 4.36 million of total revenues. Meanwhile, total expenses amounted to EUR 2.67 million.

As at 31 December 2016, the balance sheet total equalled EUR 76.34 million and, compared to the previous year, it increased due to the increase in the assets of the Centre for Support. As at 31 December 2016, the Company's equity capital totalled EUR 4.44 million.

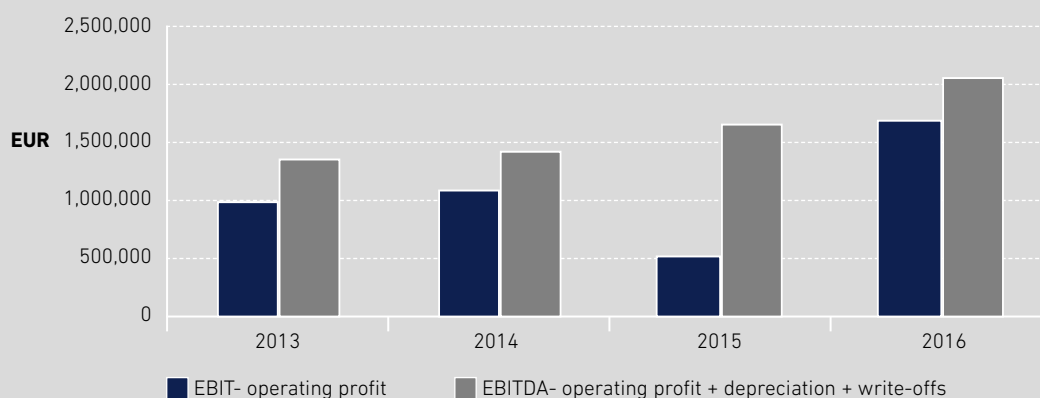
REVENUES AND EXPENSES FROM OPERATION AND MOVEMENT OF NET PROFIT

FIGURE 7



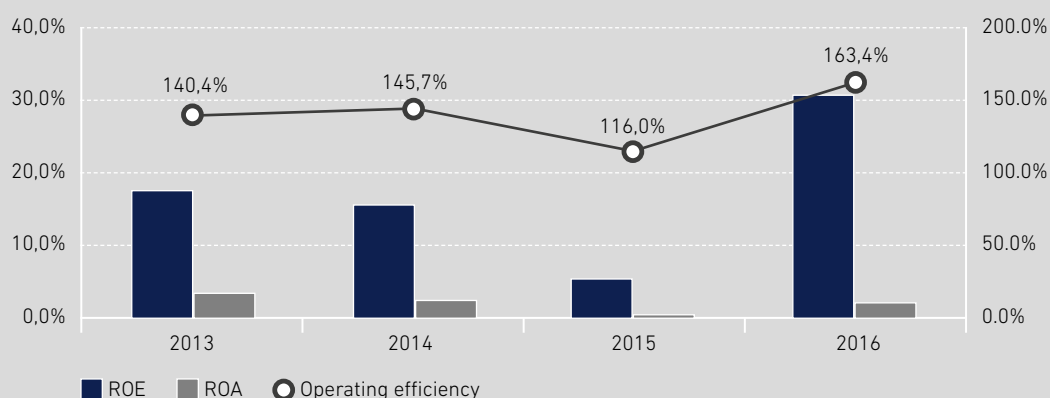
MOVEMENTS OF EBIT AND EBITDA

FIGURE 8



RETURN ON ASSETS (ROA), RETURN OF EQUITY (ROE) AND OPERATING EFFICIENCY

FIGURE 9



RELEVANT DATA ON THE ELECTRICITY MARKET, BALANCING MARKET AND SUPPORT SCHEME

FIGURE 10

ELECTRICITY MARKET		BALANCING MARKET		SUPPORT SCHEME	
NUMBER OF MEMBERS (BALANCE SCHEME)		NUMBER OF MEMBERS		NUMBER OF PRODUCTION UNITS INCLUDED IN THE SUPPORT SCHEME	
2015	2016	2015	2016	2015	2016
84	75	38	36	3,920	3,888
NUMBER OF RECORDED CONTRACTS AND OPERATIONAL FORECASTS		NUMBER OF TRANSACTIONS ON THE BALANCING MARKET		QUANTITY OF ELECTRICITY GENERATED (GWH) BY PRODUCTION UNITS INCLUDED IN THE SUPPORT SCHEME	
2015	2016	2015	2016	2015	2016
112,491	109,235	3,133	4,054	980.8	1,003.5
QUANTITY OF ELECTRICITY (TWH) FROM RECORDED CONTRACTS AND OPERATIONAL FORECASTS		QUANTITY OF TRANSACTIONS (GWH)		SUPPORT PAYMENTS FOR ELECTRICITY GENERATED BY PRODUCTION UNITS INCLUDED IN THE SUPPORT SCHEME	
2015	2016	2015	2016	2015	2016
78.9	83.1	188,1	197,9	€147.1 M	€146.2 M

5.2. SIGNIFICANT EVENTS IN 2016

JANUARY

- The new Rules on the operation of the electricity market come into force.
- Borut Rajer, Director of Operations at Borzen, gets re-elected for a second term as a Head of working group for energy markets at Europex.
- The overhaul of the web portal www.trajnostnaenergija.si.
- A series of television programmes on sustainable energy, entitled Eko utrinki ("Eco Glimpses") is broadcast on the national TV channel Slovenia 1.

MARCH

Borzen marks its 15th year of operation.

APRIL

Implementation of the REMIT - RRM reporting in accordance with the second phase of the REMIT reporting.

MAY

Launching of the Centre for Support web portal, intended for the members of the RES/CHP Support Scheme.

JUNE

Borzen publishes a scientific monograph, entitled Renewable energy sources in Slovenia: Cross-section of time and space.

JULY

- Borzen changes its company name from Borzen, organizator trga z električno energijo, d.o.o. to Borzen, operater trga z elektriko, d. o. o. (i.e. unification of the company name with the name of public utility service).

- The Government of the Republic of Slovenia grants Borzen a concession for the implementation of performing public service obligation relating to the activity of electricity market operator for a period of 20 years.

SEPTEMBER

- Successful organisation of the conference "Sustainable energy locally: How to achieve zero-energy buildings".
- Establishment of full production functions of Borzen's redesigned application for recording of closed contracts and operational forecasts.

OKTOBER

- Borzen's general manager, Mr Karlo Peršolja, is elected as the new member of the Europex Board.
- Borzen's employees participate in a corporate voluntary action organised by the Slovenian Philanthropy, an association for promotion of voluntary work.

NOVEMBER

- Borzen organises a debate on transparency and integrity in the energy market.
- As one of the first companies in Slovenia, Borzen obtains the Corporate Social Responsibility Certificate.
- Under its Trajnostna energija brand, Borzen opens a call for the reimbursement of costs for the implementation of educational projects in the field of renewable energy sources and energy efficiency for young people and selects five projects.

- Borzen's Centre for RES/CHP Support performs an auction for the transfer of the Eco Group for 2017.

DECEMBER

Andraž Šavli, Deputy Director of Operations at Borzen, is granted another mandate as the president of the IPET Section (Energy Market Data Exchange Section).

Borzen organises a formal award ceremony as part of the student competition for the best research paper on the use of wind and/or biomass energy for electricity generation in Slovenia.

Borzen completes the project of transition to digital commerce, which ensures a reliable digital document management and storage.

5.3 SIGNIFICANT PROJECTS AND ACTIVITIES OF THE COMPANY

- Rules of the Market Operator and update of the application for the recording of closed contracts and operational forecasts;
- Rules on the operation of the Centre for RES/CHP Support;
- Research project: ensuring the transparency of the functioning of the electricity market;
- Digital commerce.

More information on Borzen's projects and activities can be found in the Company's annual report.

6. EMPLOYEES AND HR DEVELOPMENT

We are aware that satisfied employees undoubtedly contribute to the company's overall success. Therefore, we take care of our employees' personal and professional growth. We strive to create a working environment where the working requirements and business objectives of the company are combined with satisfaction, motivation, commitment and good relationships. Borzen employs competent, highly qualified employees that act in accordance with social responsibility, ethical business conduct and an orientation towards development and progress as the guiding principles at work.

BORZEN IS THE PEOPLE. INDIVIDUALS WHO TOGETHER PURSUE COMPANY'S STRATEGIC OBJECTIVES.

RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

The Company promotes behaviour that expresses respect towards the traditions, cultures and religions of individual stakeholders in all business relations. Discrimination on grounds

of race, skin colour, gender, sexual orientation, marital status, pregnancy, parenthood, religion, political conviction, nationality, ethnic origin, disability, social origin or status, membership in trade unions or other personal circumstances is not permitted in any circumstances. The values shared by our employees are trust, responsibility, competence, creativity and innovation. All these values are also prominently listed on our website and our business premises, as well as in our internal documents such as the Regulation on the protection of workers' dignity, which defines the company's standards and norms of behaviour.

The Regulation defines the manner of recognising, preventing and mitigating the consequences of sexual and other harassment and mobbing in the workplace. Protection against sexual and other harassment and mobbing in the workplace is determined and realised according to the provisions of the act regulating employment relationships, the provisions of the act regulating the implementation of the principle of equal treatment, the provisions of the act regulating equal opportunities for women and men and the provisions of the act regulating health and safety at work. Among the employees, a representative was selected to collect reports on suspected sexual or other harassment and mobbing. The representative was educated and trained on the protection

of dignity and provided the essential information to the employees. There were no cases of discrimination reported in 2016.

Some of the mechanisms for providing information on ethical and other ethical legal issues as well as other legal behaviour norms that refer to the organisational integrity, derive from legal bases, e.g. from the Energy Act. In accordance with the Public Information Access Act, Borzen prepared a publicly available Catalogue of public information, as well as contact information of the person responsible for providing public information and other information. In the spirit of transparency, the Company also publishes diverse information and data on the Company's operations in its annual reports and other publications. In addition, we strictly follow the Shareholder's recommendations and other legal obligations in the field of public procurement, by the regular publication of the required information on the Slovenian Public Procurement portal. A helpdesk is also available to our stakeholders, where they can obtain different information or launch appeals.

G4-56:

Organisation's values, principles, standards and norms of behaviour

G4-57:

Internal and external mechanisms for seeking advice on ethical and lawful behaviour and matters related to the organisational integrity

G4-HR 3:

Total number of incidents of discriminations and corrective actions taken

6.1. HR INDICATORS

NUMBER OF EMPLOYEES

At the end of 2016, Borzen employed 31 employees. Compared to 2015, the number of employees increased by one employee. All the employees have a concluded employment contract for full-time employment. At the end of 2016, the share of employees employed on a temporary basis amounted to 10 percent and compared to the previous year, increased by just over 6 percentage points, which occurred due to the fixed-term employments during maternity leaves.

G4-LA-1: Total number and rate of new employee hires and employee turnover

G4-9: Scale of the organisation

EMPLOYEE TURNOVER RATE

In 2016, the employee turnover rate equalled 6.45 percent and has, compared to 2015, decreased by 3.55 percentage points. Here at Borzen, we are aware of the importance of retaining quality staff. Therefore, we constantly take care to ensure that employees are satisfied and that they improve themselves both on a professional and personal level. The table below shows an overview of the number of new arrivals and employees who have left the company in 2015 and 2016 by gender, age and region of residence.

BREAKDOWN BY GENDER, AGE AND REGION FOR EMPLOYEES WHO LEFT THE COMPANY AND NEW EMPLOYEES FOR 2015 AND 2016 TABLE 2

	EMPLOYEES LEAVING		NEW EMPLOYEES	
	2015	2016	2015	2016
Number	3	2	4	3
Gender	2 female / 1 male	1 female / 1 male	4 male	2 female / 1 male
Age	41/42/26 years	32/28 years	42/54/27/27 years	33/27/28 years
Region	2 Central Slovenia/ Goriška region	Central Slovenia/ Gorenjska region	2 Central Slovenia/ Gorenjska region/ South-East Slovenia	Central Slovenia/ 2 Goriška region

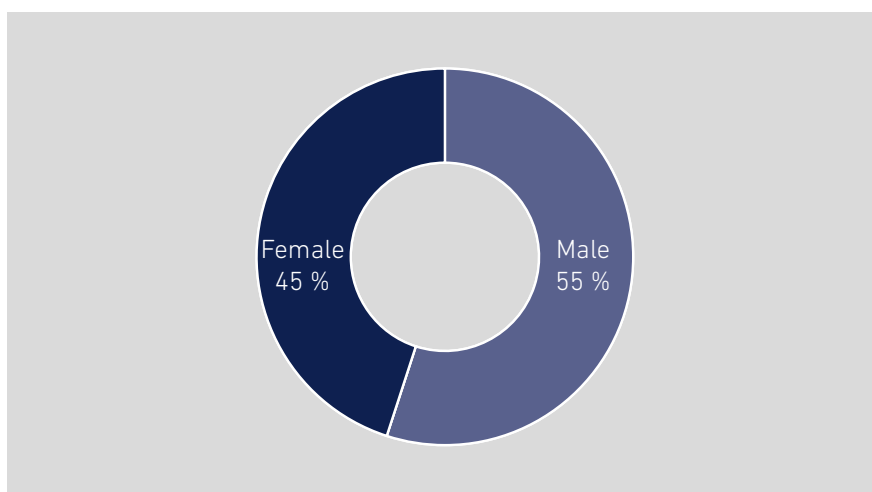
GENDER STRUCTURE

Among the employees, there were 17 men representing 55 percent of all employees and 14 women representing 45 percent of all employees in the Company. Compared to 2015, the gender ratio has slightly changed. Namely, the share of female employees decrease by 2 percentage points, while the share of male employees decreased by 2 percentage points.

AGE STRUCTURE

BREAKDOWN OF EMPLOYEES BY GENDER AS AT 31 DECEMBER 2016

FIGURE 10



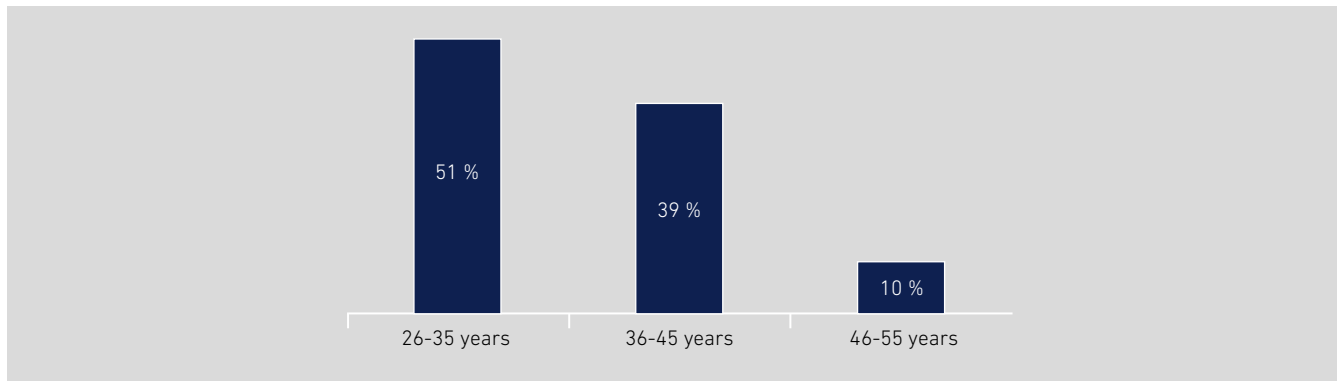
G4-10: Scale of the organisation: total number of employees by employment type and gender

The average age of the employees was 38 years, which reflects in a young and ambitious work collective. The age structure displayed in the chart below shows that the most employees belong to the 26-35 years age group (51 percent), which is followed by the 36-45 years age group (39 percent of all employees).

COMPOSITION OF GOVERNANCE BODIES

AGE STRUCTURE OF EMPLOYEES AS AT 31 DECEMBER 2016

FIGURE 11

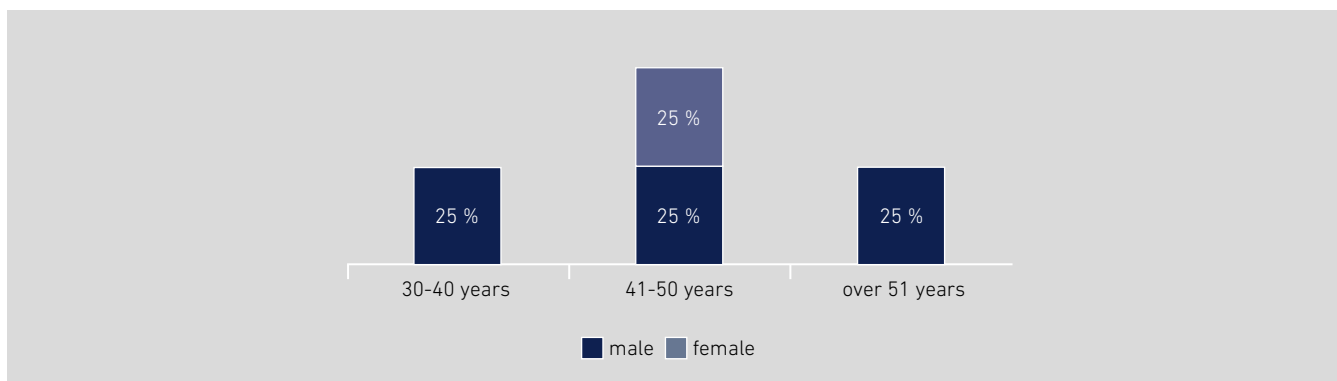


The current structure of the Company consists of three main pillars: energy division, economic division and general affairs. Every division has its own head of division, who reports directly to the general manager. According to the managerial positions, the male-female ratio is 3:1 in favour of male employees.

The age structure of employees occupying managerial positions as per gender displayed in the chart below shows that most managers are in the age group between 41 and 50 years, which is dominated by both genders with 25 percent each. In 2015, the age structure was slightly different in terms of gender. One of the male managers entered the next age group.

AGE STRUCTURE OF EMPLOYEES OCCUPYING MANAGERIAL POSITIONS BY GENDER IN 2016

FIGURE 12



The breakdown of the Company's employees by age and gender shows a fair diversity, which indicates the equality and openness regarding all demographic groups. We wish to maintain this trend of equal opportunities in the future as well.

STRUCTURE ACCORDING TO REGION OF RESIDENCE

The table below shows the diversity of the residences of employees by region. In 2016, most employees, namely 61 percent, came from the Central Slovenian region, which is also where the Company's head office is located. Compared to 2015, the said share remained unchanged. The share of the employees coming from the Gorenjska region decreased by 3 percentage points due to the departure of an employee. The number of employees coming from the Goriška region increased due to the arrival of two new employees. The employee coming from the Pomurje region transferred his permanent residence to Ljubljana, the Central Slovenian region.

G4-LA 12:
Composition of governance bodies and breakdown of employees per employee category

G4-10:
Scale of the organisation: total workforce by region of residence

BREAKDOWN OF EMPLOYEES IN TERMS OF THEIR REGION OF RESIDENCE FOR 2015 AND 2016

TABLE 3

Region	2015	Share in %	2016	Share in %
Central Slovenia	18	61	19	61
Gorenjska region	3	10	2	7
Zasavska region	1	3	1	3
Goriška region	3	10	5	16
Savinjska region	3	10	3	10
Pomurje region	1	3	0	0
South-East Slovenia	1	3	1	3
Skupaj zaposlenih	30	100	31	100

BREAKDOWN OF EMPLOYEES IN TERMS OF THEIR RESIDENCE IN CENTRAL SLOVENIAN MUNICIPALITIES FOR 2015 AND 2016

TABLE 4

Central Slovenia	2015	Share in %	2016	Share in %
Municipality of Brezovica	1	6	1	5
Municipality of Ivančna Gorica	2	11	2	11
Municipality of Ljubljana	13	71	14	74
Municipality of Vodice	1	6	1	5
Municipality of Vrhnika	1	6	1	5
Total	18	100	19	100

EDUCATIONAL STRUCTURE

The majority of the employees have the seventh level of education (i.e. university degree), namely 58 percent. 19 percent of the employees finished a four-year tertiary professional college and 10 percent obtained a master's degree.

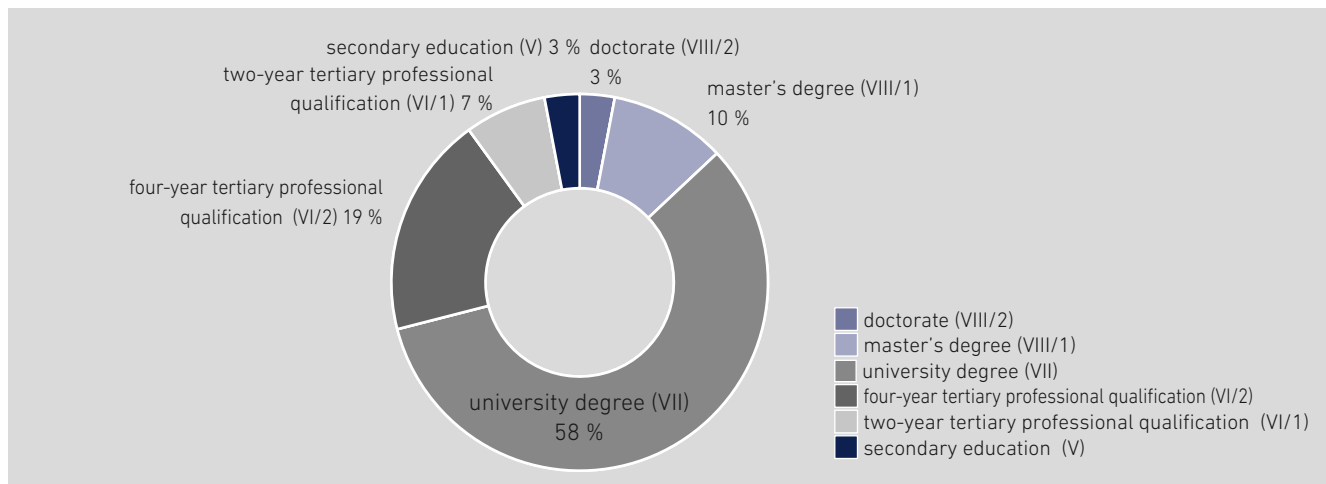
EDUCATIONAL STRUCTURE IN SHARES AS AT 31 DECEMBER 2015 AND 31 DECEMBER 2016

TABLE 5

Level	Professional title	2015	Share in %	2016	Share in %
VIII/2	Doctorate	1	3	1	3
VIII/1	Master's degree	3	10	3	10
VII	University degree	18	60	18	58
VI/2	Four-year tertiary professional qualification	5	17	6	19
VI/1	Two-year tertiary professional qualification	1	3	2	7
V	Secondary education	2	7	1	3
Total		30	100	31	100

EDUCATIONAL STRUCTURE OF THE EMPLOYEES AS AT 31 DECEMBER 2016

FIGURE 13



6.2 DEVELOPMENT OF EMPLOYEES

EDUCATION OF EMPLOYEES

It is of key importance to Borzen to employ people who are professionally educated and qualified to perform the required tasks. Employment is therefore an upgrade of a careful staff planning and development. Every year, an annual educational plan is elaborated, which covers the educational needs of the employees and follows the strategic objectives of the company. The educational plan focuses on individuals covering the necessary content and taking into account individual requirements that are in line with the goals of the company.

In 2015, all employees attended various seminars, courses, training sessions and conferences. In the field of education, there were no differences in participation with regard to gender and position in the company, since education and training are adjusted to the needs and competencies of the job role, set objectives and professional and personal development of the individual, which is also evident in the number of hours of education by the employees.

In 2016, 87 percent of employees were included in the education and training processes and 1,573 hours of education/training were carried out. The number of hours consists also of the internal knowledge transfer, in which the employees presented the acquired knowledge and experience to their colleagues. On average, each employee attended 51 hours of education/training. Compared to 2015, the number of hours of education/training per employee slightly decreased.

G4-LA-9:
Average hours of training per employee per year

KEY DATA ON THE EDUCATION OF EMPLOYEES IN 2015 AND 2016

TABLE 6

	2015	2016
Number of participants in educational programmes	28	27*
Share of employees	93%**	87%**
Number of hours of education	1,608	1,573
Average number of hours of education per employee	54	51

*The employees on maternity leave and the employment of a new employee at the end of the year.
** The percentage is related to the total number of employees.

Already acquired knowledge and education can be upgraded and improved with in-service training. The employees are very interested in further schooling to acquire higher formal educational levels. Borzen supports this kind of personal growth and it grants its employees training leave for that purpose. In 2015, there were two employees integrated into study programmes to obtain a higher educational level. Our employees also play an integral part in the transfer of knowledge as lecturers and participants at different professional meetings and conferences. An important aspect of development and education is professional literature and membership in professional associations where the informal transfer of knowledge also takes place.

In addition to external knowledge transfer, an internal transfer of knowledge and experience is also carried out in the company. In this segment, we established a formal framework for the implementation of internal training and workshops, where individual employees are involved in the transfer of knowledge to other employees. The employee feedback is positive and the results are positively reflected in a more efficient further work and business processes, while it simultaneously creates a better working environment. We also organised a team coaching session, which consisted of the following elements: the functioning of teams, mutual communication and mutual relations.

EMPLOYEE MOTIVATION

The development of the competences of the employees, targeted guidance, directed two-way communication and

other tools have generated an adequate level of motivation and commitment among our employees. Special attention is given to the immaterial remuneration, such as integration into various projects and working groups, which additionally and proactively encourages employee engagement.

6.3. HEALTH AND SAFETY AT WORK

We provide a safe and healthy working environment for all our employees. All new processes and projects include developments in the field of health and safety at work and fire safety. Risk assessment is prepared for every post and all measures that ensure adequate safety of the employees are prescribed. Risks are periodically assessed and maintained at an acceptable level with suitable safety measures. At the same time, the employees are provided with advanced and user-friendly technology and materials.

The Company also provides regular periodical medical examinations for the employees. They enable the monitoring of their health status and ability to perform work. The rate of sick leave in the company is negligible which is due to addressing the health issues of the employees and measures to maintain preventive healthcare of the employees. In the context of health promotion in the workplace, our employees are informed on preventive actions for disease prevention and at the same time, have the opportunity to actively take care of healthy working environment. The Company recognises the importance of the awareness of its employees, thus it will continue to undertake proactive activities in this area.

SPORTS ACTIVITIES

Borzen is committed to the promotion of health and offers its employees a diversity of sports activities since we are aware that spending free time in a quality and healthy manner can positively impact our employees' sense of well-being. The Company supports the Borzen Sports Association that regularly organises recreational sports activities and cultural events.

FAMILY FRIENDLY ENTERPRISE

Nowadays, the reconciliation of professional and family life is a challenge of ever increasing proportions. Thus, from 2010 onwards, we have been striving to positively tackle the challenges of reconciling professional and private life, which we achieved within the scope of "Family friendly enterprise" certificate.

In this way, we intend to provide the employees with the opportunity to easily reconcile work and private life as we believe that such efforts bring long-term mutual satisfaction to the company and its employees. Therefore, we will continue with similar activities in the future.

SOCIAL SECURITY FOR YOUNG FAMILIES

We believe that children are our greatest treasure and every newborn baby fills us with much joy. We

G4-LA-3:

Return to work and retention rates after parental leave

MATERNITY LEAVE, CHILD NURSING AND CARE LEAVE AND PATERNITY LEAVE IN 2015 AND 2016**TABLE 7**

	2015	2016
Maternity leave, child nursing and care leave (female employees)	2	4
Paternity leave (male employees)	1	6

wish every parent to fully experience the wonderful gift of parenthood, thus we encourage the use of all forms of parental leave. At the same time, we wish young families the safest future. After returning from parental leave, our employees can continue their careers and we try to facilitate their transition and reintegration into the working environment as much as possible.

In this respect and in the scope of the "Family friendly enterprise" certificate, we adopted a measure regarding employees' reintegration after a long absence from work, which also covers the issues of parental leave. The measure enables our employees to have flexible working hours and a gradual appropriation of work obligations, thereby facilitating the process of returning to work after a long absence, which is thus less stressful and makes them and their families happier.

Parental leave can be taken by both parents. In 2016, four employees took

maternity leave and child nursing and care leave, whereas in 2015, two employees were on maternity leave. In 2015, one employee availed the benefit of paternity leave, while in 2016 there were no male employees who were on paternity leave.

All employees who took parental leave have returned to their jobs and are still employed twelve months after returning to work, which applies to both relative years.

Within the context of our working requirements and conditions, we coordinate the needs and desires of employees and take care of the balance between private and professional life. In compliance with our internal rules and the Parental Protection and Family Benefits Act, we ensure our employees part-time employment, flexible working hours and use of unpaid leave.

SOCIAL SECURITY IN MATURE AGE

We are aware that social security is

high on our employees' priority list, thus we try to act positively in this area. Each age period is marked by specific challenges and social security at retirement age is certainly one of them. Since the company's foundation in 2001, we have enabled all our permanent employees an incentive to engage in voluntary supplementary pension scheme, either with the possibility of participation in the payment or without participation in the payment. In this way, we want to increase our employees' social security during their retirement.

Over the years, our employees have positively accepted and decided to join the supplementary pension scheme, as shown by the figures in the table below. The total amount of the premium represents 5.84 percent of the monthly salary of the employee. When determining the percentage of participation, we stimulatingly take into account the age of the employee and their participation in the payment of the premium.

In 2016, 31 employees were included in voluntary pension scheme and in 2015, 30 employees. The amount of the written premiums paid by the Company amounted to EUR 43,154.29 in 2016 and EUR 40,631.27 in 2015.

VOLUNTARY SUPPLEMENTARY PENSION SCHEME AND ACCIDENT INSURANCE

We offer our employees the option of joining the voluntary supplementary pension scheme in order to increase their social security, especially after retirement. All employees are included in the voluntary supplementary pension scheme. In addition, all Borzen's employees are covered by accident insurance at work as well as in their leisure time. .

6.4. COMMUNICATING WITH EMPLOYEES AND ORGANISATIONAL CLIMATE

COMMUNICATING WITH EMPLOYEES

Regular annual interviews with the employees are an effective tool for establishing current performance of the individuals and for recognising their future competences. The content of these annual interviews is an in-depth conversation focusing not only on current tasks, results and performance, but also on the objectives and tasks for

G4-EC-3:

Coverage of the organisation's defined benefit plan obligations

the future, individual's personal growth and professional path.

The employees are regularly informed of the activities within the company via the Intranet, e-mail and various formal and informal meetings. They are also provided with the possibility to co-create company's objectives and can freely express their opinion. The company also practices open door policy.

We believe that on the level of communicating with the employees a good cross-level communication is of vital importance as well as quality communication within the team. This is also the focus of our on-line communication, which is also reflected in regular team-building programmes.

DATA ON SUPPLEMENTARY PENSION SCHEME IN 2015 AND 2016

TABLE 8

	2015	2016
Number of employees in the Company	30	31
Number of participants in VPS*	30	31
Number of participants in VPS* (in %)	100%	100%
Amount of the Company's premium (in EUR)	40,631.27	43,154.29

*VPS – voluntary pension scheme

7. RESPONSIBILITY TOWARDS NATURAL ENVIRONMENT

Environmental protection is one of the basic rights, duties and responsibilities of all our employees and is considered an integral part of our corporate policy. We follow the trend of efficient use of energy, water and material. Borzen tries to follow the principles of sustainable development in the segment of environmental protection which is directly embedded in our business. We manage the national support scheme for environmentally friendly production of electricity (RES and CHP) and thereby promote the use of natural resources that have a positive impact on the environment. At the same time, we encourage the efficient use of energy and provide useful information and raise awareness on sustainable energy.

Sustainability is already a part of our daily activities, but sustainable action and environmental protection will become an even greater part of our tomorrow. The amended Energy Act granted Borzen new powers covering mainly the tasks related to information provision, awareness raising, training and information publication on the efficient energy use and renewable energy sources. In this respect, we are proud of our Trajnostna energija brand, which has, since the end of 2014, worked towards the expansion and promotion of knowledge in the field of sustainable energy.

All our employees are aware of the importance of environmental protection; we separate waste, use recycled materials and save drinking water and electricity. Since we want to take a further step in this area, we measured our company's carbon footprint and set out guidelines to improve it in the future.

7.1 ENVIRONMENTAL INDICATORS

Borzen is ranked average among comparable Slovenian companies and slightly above average among comparable international office companies when it comes to its carbon footprint measured a few years ago. In this context, we wanted to start discussing the issue and in this way raise awareness among our employees and other stakeholders.

Due to the nature of Borzen's activities, we decided to regularly monitor and measure our carbon footprint in the segment where we, as a company, have the biggest influence on its reduction.

G4-EN30:

Significant environmental impacts of transporting good and materials for the organisation's operations

G4-EN3:

Energy consumption within the organisation

G4-EN5:

Energy intensity

G4-EN19:

Reduction of emissions

G4-EN15:

Direct greenhouse gas emissions

G4-EN6:

Reduction of energy consumption

Thus, we decided to monitor the carbon footprint of our business trips made by car. We have taken certain measures which aim at reduced emissions in this category and are described in more detail below.

In 2015, 38,852 kilometres were travelled for the purpose of business trips, while the number of kilometres decreased to 26,821.5 kilometres in 2016. This has also resulted in a reduction in the amount of emissions, as shown in the table below.

We encourage a positivist approach to reducing our carbon footprint. We want to include as many interested employees as possible in the development and implementation of strategies and activities in order to raise the efficiency of the project.

G4-EN7: Reductions in energy requirements of products and services

We are aware that raising awareness and informing employees through various communication channels are the basis on which the ultimate success and achievement of goals depend. Thus, we have taken certain measures at the action level, but in particular, we believe that for our company this presents the most reasonable way to monitor the reduction of emissions on account of business trips since our influence on other indicators (for instance, commuting) is minor and less direct or in some cases more difficult to monitor their changes (for example, electrical and thermal energy and water).

For example, we estimate that the reduction of our share of air travel, which has a very large objective potential in the field of reducing emissions and costs, has, in our case, only minor potential since the real option to reduce our share of flights is very limited.

G4-EN7:
Reductions in energy requirements of products and services

CARBON FOOTPRINT AND THE NUMBER OF KILOMETRES TRAVELLED BY CAR FOR THE NEEDS OF BUSINESS TRIPS IN 2015 AND 2016

TABLE 9

	2015	2016
Total kilometres travelled	38,852	26,821.5
GHG emissions (kg CO ₂ e)	9,069.20	6,260.93

MEASURES IN THE FIELD OF REDUCING OUR CARBON FOOTPRINT ON ACCOUNT OF THE COMPANY'S BUSINESS TRIPS

TABLE 10

MEASURE	CARBON FOOTPRINT REDUCTION	COST REDUCTION	RAISING EMPLOYEES' AWARENESS
Reduction of the air travel share (distance to 400 km)	+	+	++
Reduction of business trips due to the organisation of meetings at the Borzen's headquarters	++	++	+
Promoting teleconferences	++	+++	++
Combining and general optimisation of trips	+	+	++
Mandatory use of a company car for business trips	++	+++	

* The potential was evaluated by a + (low potential), ++ (middle potential) and +++ (high potential).

8. RESPONSIBILITY TOWARDS WIDER SOCIAL COMMUNITY

Our stakeholders are the core of our operations. Without them, the electricity market certainly would not be as it is. We recognise and acknowledge various stakeholders and the public, and adapt our communication to each of these groups separately. Satisfied stakeholders send us a positive signal, implying that we provide a good standard of our services and thus, our mission of a public service is successfully achieved.

WE ARE EAGER TO SHARE GOOD PRACTICES AND SUPPORT THE TRANSFER OF KNOWLEDGE TO THE WIDER SOCIAL ENVIRONMENT.

In 2016, we carried out a detailed gap analysis in the field of corporate social responsibility in our company, which was based on the assessment of our relevant stakeholders, professional organisation and self-assessment. The result of the conducted process is the Corporate Social Responsibility Certificate, which represents socially responsible concept of management. Borzen obtained the certificate in the field of organisational management (Level C rating) and inclusion in the community and development (Level B rating). On the overall level, Borzen achieved Level C rating.



Our **communication with stakeholders** was mainly targeted at three key groups of stakeholders, namely the existing and potential Balance Scheme members, the existing and potential

Support Scheme members and the general public which was targeted in the framework of our **Trajnostna energija** brand. With the aim of getting closer to our end-users and facilitate our mutual cooperation, we launched a web portal, intended for the members of the Centre for RES/CHP Support. The portal enables a faster interaction between stakeholders and provides beneficiaries an insight into their production data and invoice issuing. We also updated the content related to the operation of the Centre for Support on our corporate website. We conducted a public discussion on the Rules on the operation of the Centre for RES/CHP Support, in which all interested parties could present their observations and suggestions. Borzen aims at achieving an advanced energy market, which will as such represent the greatest added value for all existing and potential members of the Balance Scheme. The preparation and publication of the additional information on the operation of the electricity market on our corporate website were also one of the activities in the field of communications that were carried out in 2016. Borzen strives to take into account the proposals of market participants to improve the functioning of the power market to the greatest extent possible.

ENSURING TRANSPARENCY OF THE ELECTRICITY MARKET

In October 2015, Borzen started performing services of transactions in wholesale energy market for all participants on the electricity and gas markets in accordance with the Regulation on wholesale energy market integrity and transparency (REMIT).

According to the Regulation, every participant that enters into wholesale transactions in the electricity and gas markets, both in the regulated as well as the bilateral and over-the-counter markets is required to report their wholesale energy transactions to the Agency for the Cooperation of Energy Regulators (ACER).

The effective data exchange is essential for the proper execution of the Market Operator's activities and the operation of the entire electric power system. Electronic data exchange constitutes an important step towards the more reliable and faster submission of data to the Market Operator. Therefore, Borzen aims to further develop and improve this area, also by participating in associations, such as the Energy Market Information Exchange.

Other activities related to ensuring the transparency on the electricity market:

- **ESTABLISHING DATA TRANSMISSION IN ACCORDANCE WITH THE EUROPEAN REGULATION NO. 543/2013 – "TRANSPARENCY" (more information is available in our annual report)**
- **ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS**
- **PUBLICATION OF ADDITIONAL DATA ON THE FUNCTIONING OF THE MARKET ON OUR WEBSITE**

G4-S01: Percentage of operations with implemented local community engagement, impact assessments and development programmes

8.1 DEVELOPMENT OF THE ENERGY-EFFICIENT SERVICES

Borzen's main activities, i.e. the organisation of the electricity market and implementation of the support scheme for renewable energy sources (RES) and combined heat and power or cogeneration (CHP), are intertwined at the core by sustainable development, especially by the development of energy-efficient services, which are also in line with the EU guidelines.

SUPPORT SCHEME FOR RES AND CHP

With its implementation of the support scheme, the Centre for RES/CHP Support encourages the growth of RES and CHP power plants, which in turn contributes to ensuring more efficient use of natural resources and lower CO₂ emissions. The steady growth of the number of units included in the support scheme shows a trend of increased use of renewable energy sources. In accordance with the Energy Act, the Centre for Support administrates the electricity feed-in support for RES and CHP power plants. Support schemes are a State aid instrument (subsidies) approved by the European Union that enables, with a higher purchase price, the realisation of investments in RES and CHP necessary to achieve national goal concerning the share of use of renewable sources in total energy consumption.

At the end of 2016, the Support Scheme consisted of 3,888 power plants with a total nominal capacity of 412 MW, which represents a good tenth of installed capacities in the Republic of Slovenia.

REGISTRY OF GUARANTEES OF ORIGIN

The Guarantees of Origin (GOs) are electronic certificates that certify that a certain amount of origin was produced in a certain amount of time in a certain power plant in a way that is determined by the guarantee of origin of electricity. In accordance with the Energy Act, the national Registry of Guarantees of Origin is managed by Borzen.

The Registry is a computer support for the system of issuing the Guarantees of Origin of electricity. The users can gain, transfer and redeem GOs in a transparent and simple manner via the internet. Different lists supported by the Registry enable the permanent overview of users' accounts. Data can also be exported and freely processed using the appropriate software.

Information provision and raising public awareness on renewable energy sources and energy efficiency – TRAJNOSTNA ENERGIJA ("SUSTAINABLE ENERGY")

In 2016, we carried out a series of activities which we efficiently communicated to the public and combined through our web portal **Trajnostna energija** (www.trajnostnaenergija.si). The portal represents an information centre and a contact point for accessing the information on the efficient use

of energy and renewable energy sources where users can find quality and professional information on the efficient use of energy and the use of renewable energy sources. In this way, we wish to connect various players, bring together information and ideas in the field of sustainable energy and co-create a socially responsible society.

The provision of information and raising awareness are excellent opportunities to provide the information on renewable energy sources and efficient energy use to a broader scope of people and thus contribute to raising awareness and better knowledge of both topics. In the future, we intend to implement new projects and add more content to the existing ones.

KEY ACTIVITIES IN THE FIELD OF INFORMATION PROVISION, RAISING AWARENESS AND TRAINING ON RES AND EE CARRIED OUT IN 2016:

LOGO OF OUR TRAJNOSTNA ENERGIJA BRAND

FIGURE 14



Sustainable energy is the energy which we need to meet our present needs without influencing the needs of the generations to come. The sources of sustainable energy include all types of renewable energy sources and usually also the technologies which improve energy efficiency.

Conference SUSTAINABLE ENERGY LOCALLY

In September, we organised a second expert meeting of the local energy managers on "How to achieve zero-energy buildings", where 14 speakers and more than 100 participants discussed the key challenges of the comprehensive energy renovation of buildings in local communities. They reached the following conclusion: the construction and complete energy renovation of buildings and zero-energy buildings is an obligation that can provide numerous possibilities and benefits for today and tomorrow. However, the economic viability should play a key role in this regard. It is also important that such projects are approached in an integrated way, taking into account not only environmental and energy aspects but also functional and spatial elements. It should be noted that all this requires a more integrated design, integration of new knowledge and technologies, integration between projects and municipalities, as well as new funding sources, where energy contracting plays an important role.



Upgrade of the TRAJNOSTNA ENERGIJA portal www.trajnostnaenergija.si

We prepared new content for the upgrade of the web portal in order to optimise the user experience through new functionalities that would, together with technical innovations, increase the level of information in the field of RES and EE. We added a new section which includes information on financing and credit services in the field of environmental investments by different Slovenian institutions and another section which includes information on building renovations, highlighting the examples of good practice. Some parts of the existing content have also been updated.



Information video content – animated series Lepši svet ("A Better World")

In cooperation with the national television channel RTV Slovenia, Borzen created an animated series, entitled Lepši svet ("A Better World"). The animated series of five episodes deals with the topic of the efficient use of energy and renewable energy sources and appeals to children aged 4-10 years. The main characters are learning about the following topics:

- how to save electricity,
- how to manage waste,
- how electricity is generated and what are renewable energy sources,
- how to be efficient in traffic,
- how to heat our home and how to use heat energy efficiently.



Student competition 016 for the best research paper on the use of wind and/or wood biomass for the electricity production in Slovenia

Sixty students from all Slovenian universities took part in the competition on the use of wind and/or wood biomass for the electricity production in Slovenia. The competition ended on 13 December 2016 with the award ceremony at the Energy Industry Chamber of Slovenia, which was attended by more than seventy students, mentors and other guests. The awards for the best research paper were awarded to three students.



Demonstration renovations – cost savings

The core activities were represented by an empirical comparison of the data on energy consumption in buildings before and after the energy renovation and publication of these data on our web portal Trajnostna energija, with the aim to increase the confidence in the calculations of the theoretical cost savings and prove that the energy renovation measures are economically justified. Within the framework of the Call for the participation in the energy renovation of buildings, we chose three buildings which undertook the energy renovation of the thermal envelope and represent a demonstration renovation, from which the subsequent calculations would be derived from the real data. The results of the demonstration renovations (cost savings etc.) were combined in a short animation, which is available on our web portal www.trajnostnaenergija.si, together with a more detailed study.



Geographical representation of the realisation and potentials of the RES-EE measures (GEO-RES-EE)

We updated the publicly available information on the recipients of the national financial incentives for the implementation of the RES and EE measurements within the framework of the web portal www.engis.si.

Information portal on biomass

We prepared the contents on wood biomass and published them on our web portal www.trajnostnaenergija.si. In addition, we also set up a price comparison page, containing all pellets providers in Slovenia and allowing the users to search through the current offers according to their search criteria and desired location.

Peleti ceneje - Cenik vseh dobaviteljev

Prevoz: Izberite: Dobavitelj uredi dostavo Lastni prevzem v skladišču

Vaš naslov: Količina (celo število): tdn

Prkazane cene so v evrih, vključujejo morebitni količinski popust in DDV. Za naročilo kliknite voziček na levi!

Kakovost: Pakiranje:

Ime lokacije	Prevoz	Naziv produkta	Pakiranje	Kakovost	Vredn. lesa	M, J/1g	Moist %	Pepel %	Trdnost %	Geoteta kg/m3	Min. dohava kg	Min. ureš GJ	Cena/ GJ	Cena/ paleta	Cena/ tona	Cena/ urešo	
Ljubljana - Šmude	prevzem ali dostava	RZ pelleta JV	15 kg vreča	A1 certifikat smreka	100%	19,50	+0,20	NP	NP	670,00	1 paleta	990	66	13,74	258,38	261,67	3,93
7 Rače	prevzem ali dostava	RZ pelleta JV	15 kg vreča	A1 certifikat smreka	100%	19,50	+0,50	NP	NP	676,00	1 paleta	990	66	13,79	256,38	261,07	3,93

Call for external projects

Borzen launched a Call for reimbursing part of the costs for the implementation of educational projects in the field of RES and EE for young people. The subject of the call was the reimbursement of part of the costs for the implementation of educational RES and EE projects, intended for children from 7th to 9th grade and secondary school students in the Republic of Slovenia. The primary purpose of the notified project was to prepare a practical demonstration of performance or otherwise highlight the benefits of the efficient energy use and energy production from renewable sources.

We received 14 applications, from which the selection commission chose five best projects. Four projects were financed and carried out in 2016.

Distribution of the results of past projects

Dissemination of the results of past projects presents an important aspect of the promotion of activities and, at the same time, it raises public awareness on RES and EE. Within this framework, we published a scientific monograph, entitled *Renewable sources of energy in Slovenia: Cross-section of time and space*, which we began substantially preparing in 2015. We sent hard copies of the monograph to all major Slovenian libraries. The electronic version of the monograph is available on our web portal www.trajnostnaenergija.si.

We also published DVDs, which cover a series of 15 television programmes on sustainable energy, entitled *Eko utrinki ("Eco Glimpses")*. We donated the DVDs to the Slovenian primary and secondary schools, with the purpose using them as a helpful learning tool.



8.2 CUSTOMER SATISFACTION

In 2016, we conducted a survey on the satisfaction of the Market Operator stakeholders. On the basis of the obtained information, we wish to further improve the satisfaction of all our stakeholders. The results of the survey were encouraging, namely 86 percent of respondents were satisfied or very satisfied. In the future, we will continue to conduct customer satisfaction surveys.

G4-PR5:

Results of surveys measuring customer satisfaction

8.3 COOPERATION AND DEVELOPMENT

Borzen actively co-creates the trends of the Slovenian and European energy sector. We are aware of the importance of cooperation between different players

G4-15:

List of externally developed economic, environmental and social charters, principles and other initiatives to which the organisation subscribes or endorses

on the energy podium. Our experts occupy important positions in various associations and working groups, which reflects exceptional trust we enjoy in professional circles. In the continuation, some forms of cooperation are mentioned that mark the operations of our company.

Among the more important ones, let us mention the cooperation in the **Europex Association** which connects European electricity exchanges and electricity market operators and in which Borzen presides over the Environmental Markets Working Group. Borzen is also a member of APEX and our company also actively participates within the Slovenian Chamber of Commerce, through which we are a member of the Union of the Electricity Industry, Eurelectric..

Borzen is also active in the **Energy Market Data Exchange Section (IPET)** which operates within the Energy Chamber of Commerce and promotes the development in the field of data exchange on the electricity market. Borzen employees also co-operate with the Slovenian Committee of Electric

G4-16:

List of memberships in associations

Power CIGRÉ-CIRED, especially in the Study Committee (SC) 4: Distributed Energy Resources – Management and Exploitation of Electric power.

Borzen is a member of a **Section for quality and excellence in electro-energetic sector** as well as a founding member of the Slovenian Association of Energy Economics (SAEE), which is the 30th national branch of IAEE (International Association of Energy Economics) and as a section operates within the Energy Industry Chamber of Slovenia.

Borzen is a corporate member of the **Association of Slovenian Supervisors**, which is a professional, non-profit and non-governmental organisation that connects the members of supervisory boards, management boards and other stakeholders of corporate management.

Borzen is also a **long-time member of the board of the electricity industry journal Naš stik** that plays an important role in the provision of information to professional energy public and to promote energy literacy among general public.

Borzen is also a member of the **Network of socially responsible companies** which promotes and raises awareness of the importance of social responsibility and represents

a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility. The work of the Slovenian Network for Social Responsibility is based on informing and raising awareness among companies, organisations and general public on the importance of integrating socially responsible strategies into the operation of companies, positive impacts of integration and good practices of socially responsible behaviour.

Dedicated and targeted **sponsorship and donations** are one of the ways to connect to the community and thus contribute to positive functioning of the society as a whole. We support sports activities, working with the youth, culture, education and humanitarianism.

In 2016, we conducted another corporate volunteer campaign, in which we joined forces with the Slovenian Philanthropy, association for promotion of voluntary work. We repainted and prepared the new premises that were intended for the carrying out of the Slovenian Philanthropy's activities. In addition, our employees also collected some of the much-needed goods for the refugees who, in their desperation, had sought asylum in our country. Excited about the results of our good work, we are

already looking forward to the next year's volunteer campaign

INVESTMENTS

The investments of our Company are strategically targeted mostly at technological development, which is a prerequisite for a further development and continuous operation of the Market Operator activities through a highly available system and technologically advanced services. The latter bring added value to the operation of all our stakeholders.

In accordance with the Company's business plan, the majority of the planned investments that were carried out in 2016 related mainly to information technology. In regard to hardware and software, we replaced some hardware for the efficient and high-quality implementation of the high availability of the information system and the provision of the relevant security requirements.

In 2016, we invested in the upgrade of the existing RRM - REMIT reporting and imbalance settlement software. The investments also include the development and upgrade of the existing solutions of the unified information system, which establishes an integrated and reliable operation system in the Company.

CONTENT INDEX ACCORDING TO THE GRI GUIDELINES

G4-32: The GRI Content Index

GENERAL STANDARD DISCLOSURES		Page in the report	Reports / partly reports / does not report	Commentary and reasons for not reporting
STRATEGY AND ANALYSIS				
G4-1	Statement from the Company's management about the importance of sustainability to the organisation and its strategy for addressing sustainability	5	reports	-
ORGANISATIONAL PROFILE				
G4-3	Name of the organisation	40	reports	-
G4-4	Primary brands, products and/or services	6	reports	-
G4-5	Location of the organisation's headquarters	40	reports	-
G4-6	Number of countries where the organisation operates	-	does not report	Borzen operates only within Slovenia.
G4-7	Nature of ownership and legal form	12, 40	reports	-
G4-8	Markets served (geographic breakdown, sectors served, types of customers and beneficiaries)	-	does not report	This indicator is irrelevant.
G4-9	Scale of the organisation	14, 20	reports	-
G4-10	Number of employees by employment contract, gender and region	20, 21	reports	-
G4-11	Percentage of total employees covered by collective agreements	-	does not report	Borzen does not have a collective agreement, thus this indicator is not reported.
G4-12	Organisation's supply chain	-	does not report	Borzen is a public service provider and it operates in accordance with the Public Procurement Act. Thus, this indicator is irrelevant.
G4-13	Significant changes during the reporting period	-	does not report	There were no significant changes during the reporting period.
G4-14	Precautionary approaches and principles addressed by the organisation	13	reports	-
G4-15	List of externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	34	reports	-

G4-16	List of the memberships in associations and national/ international advocacy organisations in which the organisations holds a position on the governance body, participates in projects and committees, provides substantive funding beyond routine membership dues and views membership as strategic	34	reports	-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	List of all entities included in the organisation's consolidated financial statements or equivalent documents	12	reports	-
G4-18	Process for defining the report content and aspect boundaries	10	reports	-
G4-19	Identified material aspects in the process for defining report content	12	reports	-
G4-20	Reporting of the aspect boundary within the organisation for each material aspect	12	reports	-
G4-21	Reporting of the aspect boundary outside the organisation for each material aspect	-	does not report	Reporting of the aspect boundary outside Borzen is irrelevant.
G4-22	Effects and reasons for any restatements of information provided in previous reports	-	does not report	This indicator is irrelevant.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	-	does not report	There were no significant changes during the reporting period.
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organisation	11	reports	-
G4-25	Basis for identification and selection of stakeholders	11	reports	-
G4-26	Organisation's approach to stakeholder engagement	11	reports	-
G4-27	Key topics and concerns that have been raised through stakeholder engagement	-	partly	Borzen partly reports on the issues and concerns that have been identified by stakeholders, as can be observed in the individual chapters of this report. Borzen does not fully report on this indicator.
REPORT PROFILE				
G4-28	Reporting period	10, 41	partly	-
G4-29	Date of most recent previous report	41	partly	-
G4-30	Reporting cycle	41	partly	-
G4-31	Contact point for questions regarding the report or its contents	41	partly	-
G4-32	Reporting level and GRI Content Index	10, 36	partly	-
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report	-	does not report	This indicator is irrelevant for Borzen. Borzen is not seeking external assurance for the report.

GOVERNANCE				
G4-34	Governance structure of the organisation	12	reports	-
ETHICS AND INTEGRITY				
G4-56	Organisation's values, principles, standards and norms of behaviour	19	reports	-
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour and matters related to organisational integrity	19	reports	
SPECIFIC STANDARD DISCLOSURES - INDICATORS				
ECONOMIC INDICATORS				
Economic performance				
G4-EC1	Generated and distributed direct economic value	14	partly	-
G4-EC3	Coverage of the organisation's defined benefit plan obligations	26	partly	-
ENVIRONMENTAL INDICATORS				
Energy				
G4-EN3	Energy consumption within the organisation	27	partly	Borzen reports only on fuel consumption. Other indicators are irrelevant for the company.
G4-EN5	Energy intensity	27	partly	Borzen reports only on fuel consumption. Other indicators are irrelevant for the company.
G4-EN6	Reduction of energy consumption	27	partly	Borzen presents general activities in the field of reducing energy consumption.
Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions	27	partly	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	27	partly	
Transport				
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations	27	reports	-

HUMAN RIGHTS				
Non-discrimination				
G4-HR3	Total number of incidents of discrimination and corrective actions taken	19	reports	-
SOCIETY				
Local community				
G4- S01	Percentage of operations with implemented local community engagement, impact assessments and development programmes	29	reports	Borzen does not report on the impacts on the local community in the strict sense, but on the impacts on the community as a society/nation.
LABOUR PRACTICES				
Employment				
G4-LA1	Total number of new employee hires and employee turnover by age group, gender and region	20	reports	-
G4-LA3	Return to work and retention rates after parental leave	24	reports	-
G4-LA9	Average hours of training per employee per year by gender	23	reports	-
G4-LA12	Composition of governance bodies and breakdown of employees according to indicators of diversity	20, 21	reports	-
PRODUCT RESPONSIBILITY				
Labelling of products and services				
G4-PR5	Results of surveys measuring customer satisfaction	34	reports	-

COMPANY PROFILE

FULL NAME	Borzen, operater trga z elektriko, d. o. o.
SHORT NAME	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, 1000 Ljubljana, Slovenia
PHONE NUMBER	386 1 620 76 00
FAX	386 1 620 76 01
E-MAIL	info@borzen.si
WEBSITE	www.borzen.si
MAIN ACTIVITY	66.110 Management of financial markets
REGISTRATION NUMBER	1613383000
TAX ID NUMBER	27799468
NUMBER OF ENTRY IN THE REGISTER OF COMPANIES	1/34438/00
DATE OF ENTRY IN THE REGISTER OF COMPANIES	28 March 2001
PLACE OF ENTRY IN THE REGISTER OF COMPANIES	Ljubljana District Court
SHARE CAPITAL	EUR 1,963,279
GENERAL MANAGER	Karol Peter Peršolja, PhD
CHAIRMAN OF THE SUPERVISORY BOARD	Gorazd Ažman, MSc

G4-3:

Name of the organisation

G4-7: Nature of ownership and legal form

G4-5: Location of the organisation's headquarters

BASIC DATA ON THE 2016 SUSTAINABILITY REPORT**CONTACT POINT FOR QUESTIONS REGARDING THE REPORT OR ITS CONTENTS**

Eva Činkole Kristan, Public Relations
 e-mail: eva.cinkole@borzen.si
 phone number: +386 1 620 76 05

G4-31:

Contact point for questions regarding the report or its content

REPORT DATE AND DATE OF PREVIOUS REPORT

Borzen reports for the calendar year 2016. The first sustainability report was prepared in 2012 in accordance with the GRI3 guidelines and has been prepared annually since then.

G4-28:

Reporting period for information provided

G4-29:

Date of previous report

REPORTING CYCLE

Level C („basic level“): contains the key elements of reporting and reasons of the company's communication concerning economic, social and environmental impacts. The organisation reports on at least one indicator that relates to „materiality“.

G4-30:

Reporting cycle

The report is prepared and includes Borzen's sustainable footprint, without any particular restrictions on the scope of the report. All information covered and presented in the report originates from and is the property of Borzen* (*except in cases where it is explicitly indicated otherwise) and is processed and presented in a true and undistorted manner.

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Borzen