



# A STEP TOWARDS A GREEN FUTURE

Annual  
Report 2022

Borzen



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# 01

## BUSINESS REPORT

We all contribute to the quality of our lives in the future, which is why we encourage taking decisive steps towards energy efficiency and renewable energy.



# 1 HIGHLIGHTS OF THE YEAR<sup>1</sup>

KEY INDICATORS

LETTER FROM THE GENERAL MANAGER

COMPANY MILESTONES THROUGH THE YEARS

2022 IN REVIEW

<sup>1</sup> GRI 101-1, 102-7, 201-1

# KEY INDICATORS



EUR **4,61** million  
in operating income



EUR **4,72** million  
in operating expenses



EUR **3,51** million  
in net profit



**40**  
employees

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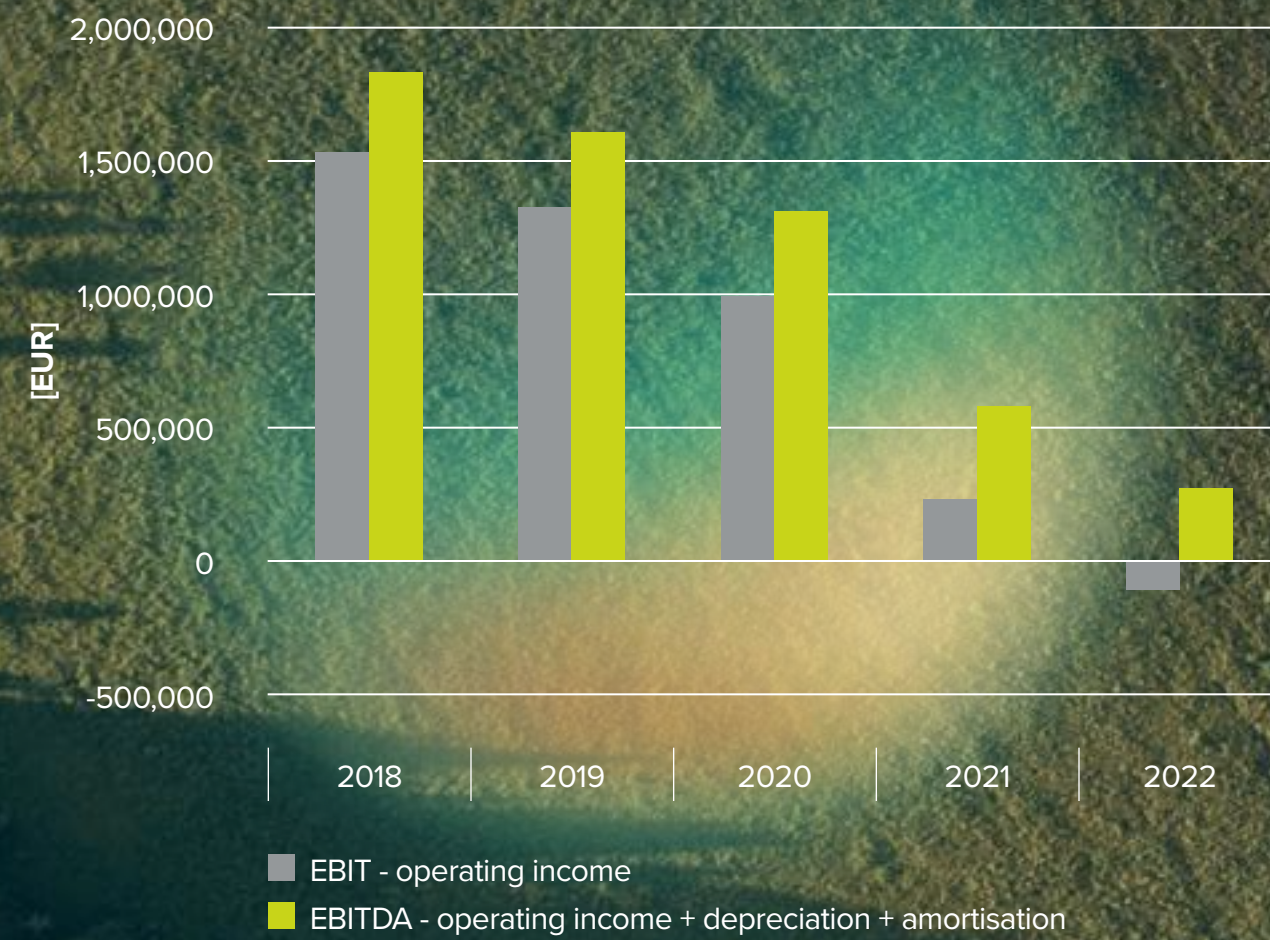
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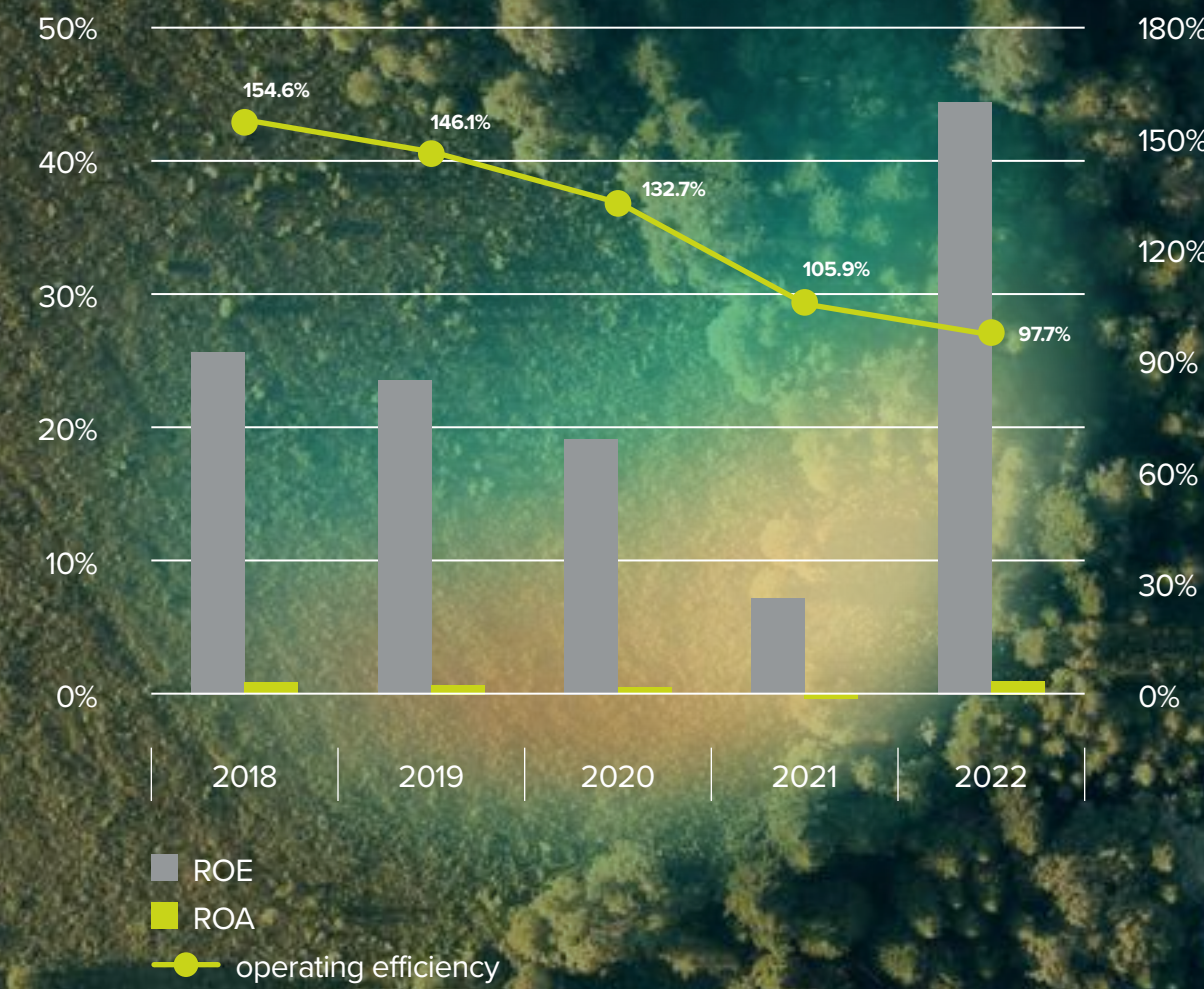


# KEY INDICATORS

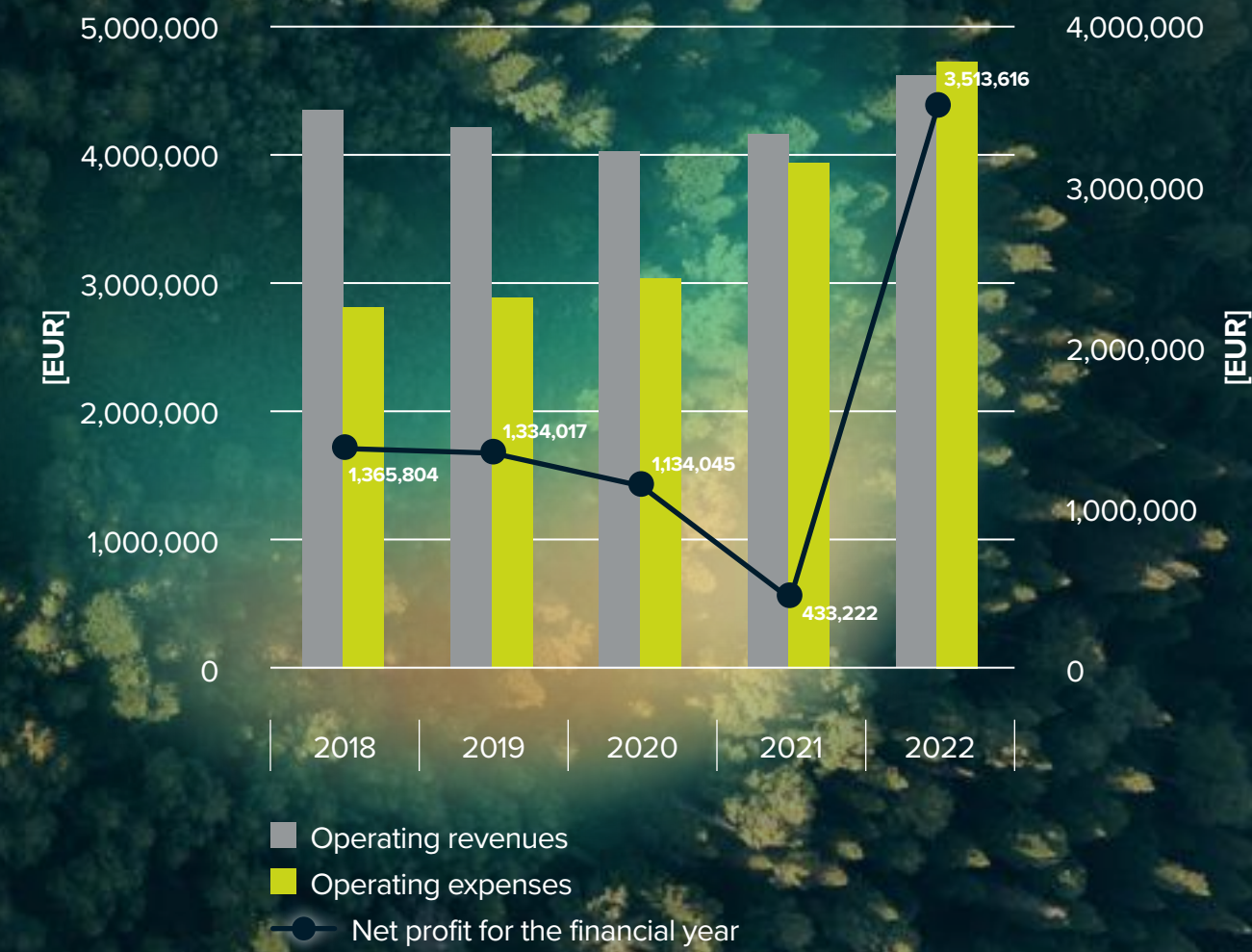
EBIT and EBITDA movements



Return on assets (ROA), return on equity (ROE) and operating efficiency



Operating revenues/expenses and net profit movement



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## ELECTRICITY MARKET

### Number of members (Balance Scheme)

2021	2022
62	54

### Number of recorded contracts and operational forecasts

2021	2022
105,920	99,371

### Quantity of electricity from recorded closed contracts and operational forecasts (in TWh)

2021	2022
82.8	75.3

## BALANCING MARKET

### Number of members

2021	2022
32	29

### Number of transactions

2021	2022
1,955	1,605

### Quantity of transactions (in GWh)

2021	2022
43.1	33.2

## SUPPORT SCHEME

### Number of power plants in the Support Scheme

2021	2022
3,811	3,718

### Quantity of electricity generated by the power plants in the Support Scheme (in GWh)

2021	2022
973.2	800.8

### Support payments for generated electricity to the power plants in the Support Scheme (in EUR)

2021	2022
128.1 million	94.8 million

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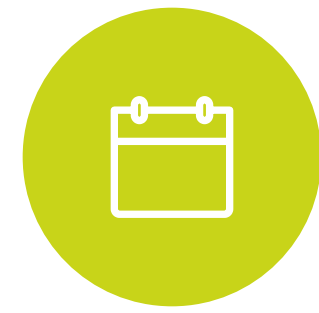
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**2022**



26 self-organised events, over 1,100 participants



Almost 1 million views of our video content



93 % customer satisfaction



Participation in four European development projects



EUR 2.02 million in tangible assets



EUR 856,000 in payments to social security funds



EUR 426,000 in intangible assets (software)

**2021**

13 self-organised events, close to 700 participants

Almost 0.7 million views of our video content

98 % customer satisfaction

Participation in three European development projects

EUR 2.14 million in tangible assets

EUR 680,000 in payments to social security funds

EUR 382,000 in intangible assets (software)

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# LETTER FROM THE GENERAL MANAGER<sup>2</sup>



**BORUT RAJER**  
General Manager

When I took over the management of Borzen in September 2022, the energy crisis was already in full swing, requiring the company, the energy market players and the state as a whole to put in place further measures to ensure the stable functioning of the system and the market, as well as the energy supply. It was necessary to introduce certain mechanisms that would help deal with the crisis through a careful and coordinated action in a short time. The mechanisms that were implemented, some of which are still in place in 2023, have not only made energy more accessible to the population, the economy, public administrations and other institutions, but have also mitigated a potential financial crisis, as the market faced a significant increase in energy prices. All of this has also resulted in an apparent increase in demand from consumers to build their own generation units, particularly in the area of investments in solar power plants and more efficient energy systems.

## DRIVING FORWARD THE INTEGRATION AND CONSOLIDATION OF THE ELECTRICITY MARKET

Market activity was also strongly reflected in Borzen's operations, with the company ending the financial year with a profit of EUR 3.51 million. Most of this related to the incoming dividend and the profit from the sale of the share in the affiliated company BSP Energy Exchange. In 2022, Borzen generated EUR 4.71 million in operating expenses and EUR 4.61 million in operating revenue. The latter was lower than planned, mostly due to lower electricity consumption in Slovenia as well as the smaller number of contracts recorded on the electricity market. This is related to lower trading volumes, which are also a consequence of lower electricity production and consumption, as well as the process of coupling and deepening of the energy markets and consolidation of energy players, which has been an observable trend over

the last few years. In the Balance Scheme, this situation has been reflected in the declining number of members. At the end of 2022, the Slovenian market comprised a total of 54 balance groups and subgroups. However, compared to previous years, we have observed an increase in the number of entries and exits. The index shows that the level of concentration in the market was also high and the fact that the ten largest balance groups recorded 99.5 percent of the quantities of closed contracts in 2022 is also of important significance. The volume of transactions concluded on the Market Operator platform has also decreased by a significant margin, mainly due to the increased liquidity and

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more favourable prices in the intra-day trading segment. We paid particular attention to ensuring transparency in the electricity market, which is essential for a well-functioning, liberalised market. This has been achieved in particular through the implementation of a reporting service in accordance with the European Regulation on Wholesale Energy Market Integrity and Transparency. The progress has also been made with regard to the flow of data exchange in the market. At this point, I would also like to stress the extreme importance of the amendments of the new Rules on the Operation of the Electricity Market, which were prepared by the end of 2022 and entered into force in 2023.

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## ENVIRONMENTAL MECHANISMS PROMOTE GENERATION FROM RENEWABLE ENERGY

The European Green Deal, the green and fair transition mechanism, the ‘Fit for 55’ package and the transposition of the EU legislative package ‘Clean Energy for All Europeans’ into the Slovenian legal order provide guidelines and commitments on access to long-term, sustainable energy, where energy efficiency measures, increasing the share of renewable generation and ensuring the stability of the energy system are of vital importance. Borzen’s operation is also affected by the intervention legislation, both in terms of the amount of the Centre for Support contributions and the assignment of new tasks to the Centre for Support. Among these, I can highlight the establishment Borzen’s single point of contact, which was set up in August with the aim of encouraging investments in renewable energy sources. In the future, Borzen will also grant a variety of subsidies, such as subsidies to promote greener road freight transport, subsidies for the purchase of wood pellets, subsidies for RES under the so-called “temporary framework” and subsidies in the area of the new electricity self-supply model, which has been the subject of intensive preparation in 2022.

Under the State support scheme for electricity production from RES and efficient CHP, a total of EUR 94.8 million in supports was paid out in 2022. Nearly 3,800 power plants with a total rated capacity of 395 MW, representing approximately 10 percent of the installed capacity in the country, produced a total of 801 GWh of electricity.

Individuals, when equipped with information and knowledge, are the ones who have the power to manage energy in a sustainable way, which is what we are working to achieve through our information and awareness-raising activities on energy efficiency and renewable energy sources. Thus, in response to the energy crisis, we have launched a targeted communication campaign to promote energy efficiency tips, which, in particular by changing our habits, can lead to significant energy and financial savings. In 2022, we organised 23 events with 50 experts as part of our *Trajnostna energija* (“Sustainable Energy”) brand, which represented an important tool for empowering more than 1,100 individuals. Our informative video content has been viewed by millions of people, with our environmental cartoons leading the way.

## CHANGES AS A CONTINUING TREND IN THE FUTURE

We are living in an era of rapid digitalisation, climate change, intergenerational challenges, change of values and the decentralisation of energy. Changes are happening fast and the key phrase within the energy sector has become ‘green transition’. Borzen's activities will support the transition towards a more sustainable society, which means additional activities within the Centre for Support in relation to the single point of contact for the promotion of renewable energy sources and the introduction of the investment subsidies for power plants in the new self-supply system, the extension of the subsidy system for renewable energy sources, as well as the implementation of the tendering procedures in the field of energy efficiency. In the future, Borzen is also likely to expand into the area of sustainable mobility, with the prospect of extending the system of guarantees of origin, continuing and strengthening the area of education and information measures in the field of sustainable energy and ensuring the implementation of some of the intervening regulations.

As a market operator, we will focus on the flexibility market, the segment of the imbalance settlement (which has undergone a significant change to a single price model in 2023) and the independent aggregation models, the area of insider information for market monitoring and changes in the operation of the balancing market. We remain active in the area of energy market development and our involvement in a variety of development projects, including those at the European level.

At the corporate level, we will continue our efforts to further digitise our processes and services, while paying attention to information security.

## WORKING TOGETHER IS THE KEY TO SUCCESS

At a time when the world is being affected by countless natural disasters and socio-political tensions, we are even more aware of a man’s dependence on nature and the inextricable link existing among the inhabitants of our planet. It is an intangible fact that each one of us influences the other with every action we take. We are all responsible for co-shaping our social and natural environment and it is time we all realise this, accept our share of responsibility and do our best for the common good.

It is an honour to be a part of a sustainable story that we, together with our partners and citizens, are responsibly writing at Borzen, with a dedicated team of colleagues.

I am looking forward to new challenges and opportunities in the future.

Borut Rajer, MSc  
General Manager



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# COMPANY MILESTONES THROUGH THE YEARS

## 2001

- The establishment of Borzen and the official opening of the electricity market in Slovenia.
- The start of electricity trading on the electronic trading platform.

## 2002

- The start of training for electricity brokers.
- Borzen is one of the co-founders of EuroPEX, the Association of European Energy Exchanges.

## 2004

- The launch of the wood biomass information portal.
- The initiation of a project for establishing a regional energy exchange in south-eastern Europe.

## 2007

- A complete opening of the electricity market to all consumers.
- The establishment of the Guarantees of Origin Registry.

## 2008

- Borzen and Eurex establish BSP Regionalna Energetska Borza d.o.o., thus transferring the electricity exchange activities from Borzen to the newly established company.

## 2009

- The launch of the Centre for Support activities.

## 2011

- The implementation of the market coupling at the Slovenian-Italian border.

## 2014

- The public utility service organized by Borzen is renamed to the public utility service of the electricity market operator.
- The establishment of the Sustainable Energy brand (Slov. *Trajnostna energija*), which kick-starts the information and awareness-raising on energy efficiency and renewable energy sources.

## 2015

- Borzen introduces the energy wholesale transaction data reporting service for electricity and gas market participants in accordance with the Regulation on Energy Market Integrity (REMIT).

## 2016

- The launch of the Centre for Support web portal, which is intended for all beneficiaries of the Support Scheme for renewable energy sources (RES) and cogeneration of heat and power (CHP).

## 2017

- Borzen produces the first Slovenian series of environmental cartoons, entitled *Lepši svet* (Eng. *A Better World*).
- Borzen is the winner of numerous awards and prizes, i.e. the award for best renewable energy and energy efficiency promotion project, third place in the "Best of the Best" programme, the award for best annual report, etc.

## 2018

- The participation in various international projects and projects related to the establishment of electricity markets in eastern European countries.

## 2019

- Borzen provides a wide range of educational content on sustainable energy (i.e. a board game, a new season of the environmental cartoons, a competition for the best master's thesis and a sustainable energy prize competition for children), the set-up of the first energy playground in Maribor.

## 2020

- The organisation of the first hybrid conference (live and online), the set-up of the energy playground in Koper and the publication of a comic book on sustainable energy.

## 2021

- The Slovenian electricity market switches to a 15-minute imbalance settlement period.

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## JANUARY

- In partnership with the Slovenian Association of Friends of Youth, Borzen donates 150 copies of its educational comic book on sustainable energy to children in need.

## FEBRUARY

- The third season of the environmental cartoons *Lepši svet* (Eng. *A Better World*) is released and distributed free of charge to all kindergartens, primary schools and libraries across Slovenia.
- Public hearing of the Rules on Amendments to the Rules on the Operation of the Electricity Market.
- The implementation of the new imbalance settlement model with a new calculation of imbalance prices.

## APRIL

- Borzen signs an agreement with the Slovenian Ministry of Infrastructure and the Ministry of the Environment and Spatial Planning on the promotion of greener road freight transport, under which it will carry out calls for granting State aid.

## JUNE

- New structure of the company's Supervisory Board in the following composition: Ms. Mojca Veljkovič, Chairman of the Supervisory Board, Ms. Ivana Nedižavec Korada, Vice Chairman of the Supervisory Board and Mr. Žiga Fišer, Member of the Supervisory Board.
- New deadlines for the reporting of closed contracts and operational forecasts in case of delays or failure of multilateral market coupling enter into force.
- Public hearing on the Rules on the operation of Centre for RES/CHP Support.
- New Rules on Amendments to the Rules on the Operation of the Electricity Market enter into force.

## AUGUST

- The launch of the Phase 1 of the implementation of the Single Point of Contact for promoting the use of renewable energy.

## SEPTEMBER

- The end of the term of office of Mr. Martin Bratanič, with effect from 31 August 2022. Mr. Borut Rajer is appointed as the company's new general manager until the appointment of a full-time general manager.
- Successful implementation of various events, i.e. the 'Sustainable Energy Locally 022' conference, a seminar on green public procurement on electricity consumption related items and an expert consultation on the implementation of energy audits in Slovenia.
- The start of publishing a reference electricity market price as a useful input for the beneficiaries of the Support Scheme.
- Public hearing of the Rules on the Operation of the Electricity Market.
- Borzen obtains the Socially Responsible Employer certificate.

## OCTOBER

- The completion of trainings for energy auditors.
- Borzen starts its participation in the STREAM project.
- Public hearing on the Rules on the organisation of the Market Operator's platform for balancing energy.

## NOVEMBER

- Successful implementation of webinars on energy management in the public sector and energy-intensive companies, as well as technical days on RES and EE at five Slovenian primary schools.
- On 1 November, Mr. Borut Rajer takes over the management of the company for a full term of five years.
- Borzen's share in BSP is transferred to ELES.

## DECEMBER

- The conclusion of regional energy meetings across Slovenia.
- The adoption of the Act on Emergency Intervention to Address High Energy Prices, which requires the Centre for Support to pay subsidies for the purchase of wood pellets to beneficiaries.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR 2022

- New Rules on the Operation of the Electricity Market and Rules on the organisation of the Market Operator's platform for balancing energy enter into force on 1 January. Borzen starts paying subsidies for the purchase of wood pellets.
- Borzen starts executing compensation payments to electricity suppliers and natural gas suppliers.
- The first imbalance settlement is published under the new Rules on the Operation of the Electricity Market, which applies a new model for calculating imbalance prices (the single price model) for the first time.

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# 2 COMPANY PRESENTATION

IDENTITY CARD

VISION, MISSION AND BUSINESS MODEL

# IDENTITY CARD<sup>3</sup>

## GENERAL INFORMATION (AS AT 31 DECEMBER 2022)

FULL NAME OF THE COMPANY	Borzen, operater trga z elektriko, d. o. o.
SHORT NAME OF THE COMPANY	Borzen, d.o.o.
ADDRESS	Dunajska cesta 156, 1000 Ljubljana, Slovenia
TELEPHONE NUMBER	+386 1 620 76 00
E-MAIL ADDRESS	info@borzen.si
WEBSITE	www.borzen.si
COMPANY'S MAIN ACTIVITY	66.110 Administration of financial markets
REGISTRATION NUMBER	1613383000
VAT IDENTIFICATION NUMBER	SI 27799468
NUMBER OF ENTRY IN THE COURT REGISTER	1/34438/00
DATE OF ENTRY IN THE COURT REGISTER	28 March 2001
COMPANY'S SHARE CAPITAL	EUR 1,963,279
GENERAL MANAGER	Mr. Borut Rajer, MSc
CHAIRMAN OF THE SUPERVISORY BOARD	Ms. Mojca Veljkovič

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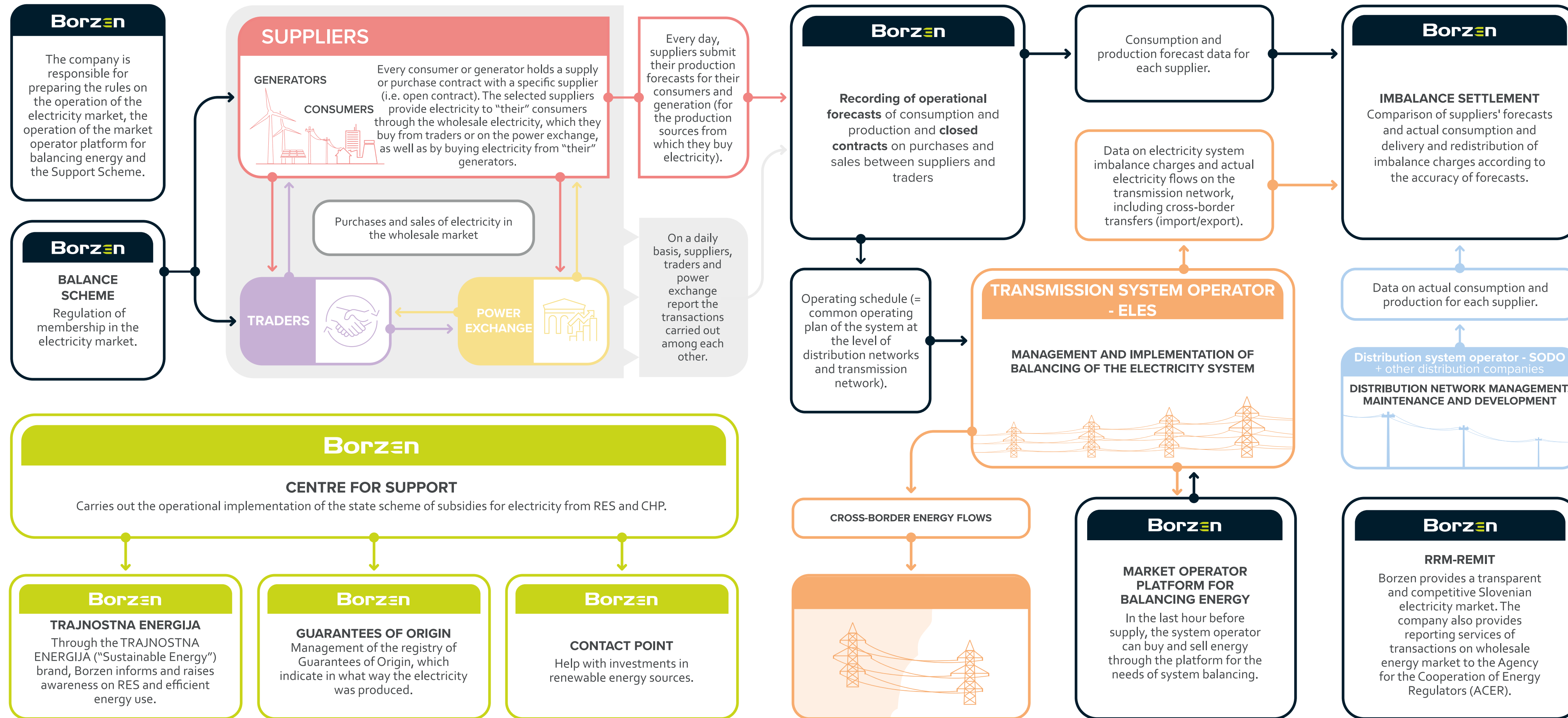
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## Borzen's role in the electricity market



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# VISION, MISSION AND BUSINESS MODEL<sup>4</sup>



## Vision

Borzen's vision is to become a central regional force in the green transformation.

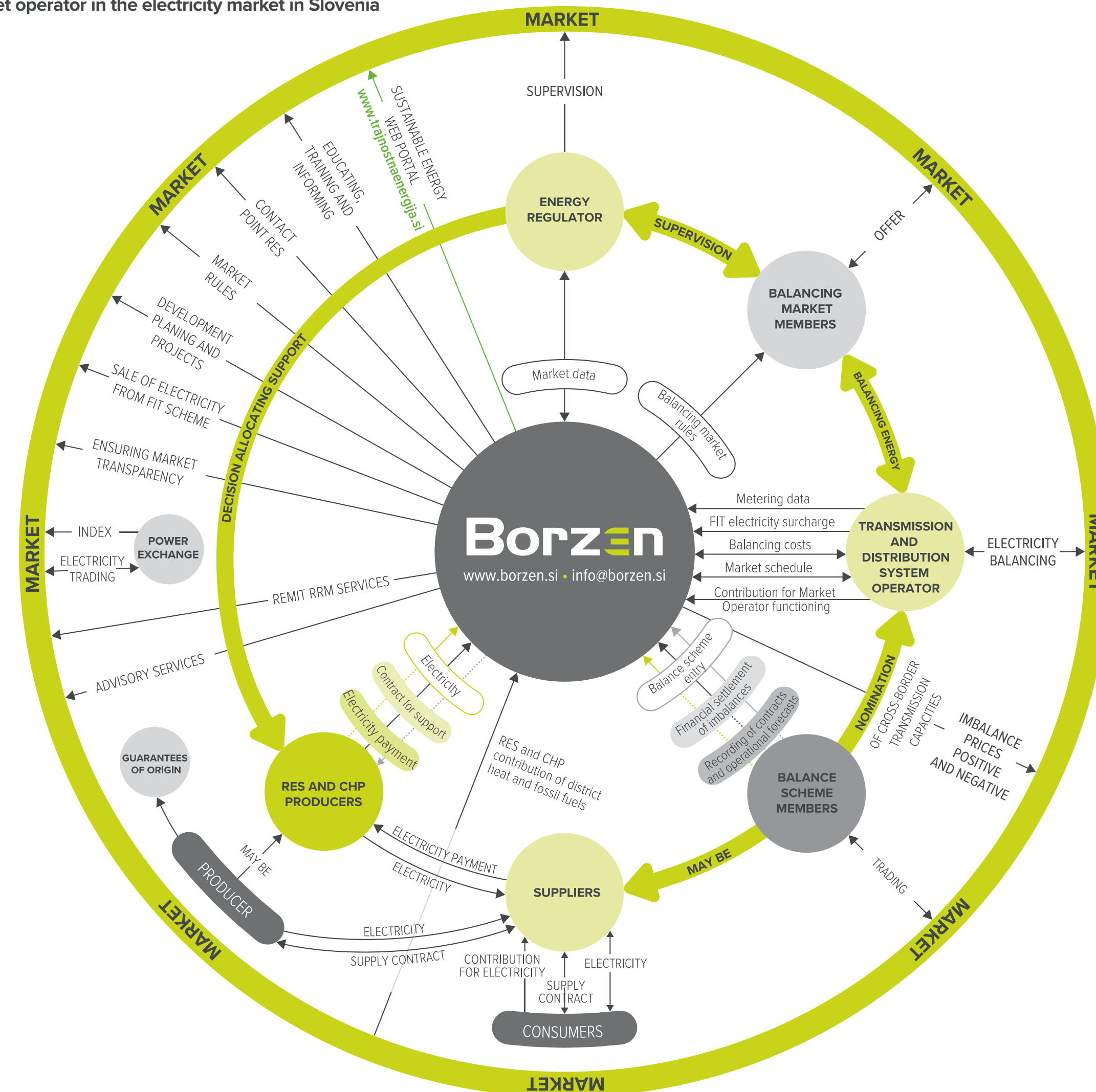


## Mission

Borzen ensures the efficient operation of the electricity market and promotes sustainable use of energy.

## Business model

The role of the market operator in the electricity market in Slovenia



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Borzen, d.o.o. was established on 28 March 2001 on the basis of the provisions of the Slovenian Energy Act for the performance of the tasks of the mandatory public utility service for organising the electricity market. Since mid-2007, Borzen has been solely under the ownership of the Republic of Slovenia.

The core activity of Borzen is the **provision of the public service of electricity market operator**. On the basis of its public mandate, Borzen is responsible for issuing the following regulations in accordance with Article 94(4) of the Electricity Supply Act (Official Gazette of the Republic of Slovenia, No 172/21, hereinafter referred to as the ZOEE):

- Rules on the Operation of the Electricity Market, issued after prior coordination with the system operator and subject to the approval of the Energy Agency before their publication in the Official Gazette of the Republic of Slovenia.
- Rules on the organisation of the Market Operator’s platform for balancing energy, issued after prior coordination with the system operator and subject to the approval of the Energy Agency before their publication in the Official Gazette of the Republic of Slovenia.

In addition to the activities mentioned above, Borzen also **provides a compulsory national public service of the Centre for Support**. Pursuant to Article 18(8) of the Act on the Promotion of the Use of Renewable Energy Sources (Official Gazette of the Republic of Slovenia No 121/21, 189/21 and 121/22 - ZUOKPOE, hereinafter referred to as the ZSROVE), Borzen issues the following regulation:

- Rules on the operation of the Centre for RES/CHP Support, for which the approval of the Government must be obtained prior to their publication in the Official Gazette of the Republic of Slovenia.

The rules are important for the functioning of the electricity market, as well as for the modalities of the state support scheme for electricity production from renewable sources and high-efficiency cogeneration. As a **market operator**, Borzen provides and facilitates the coordinated operation of the Slovenian electricity system through its services, i.e. the management of the Balance Scheme, the recording of bilateral contracts, the establishment

of the indicative schedule, the operation of the balancing energy platform (replacement reserve), the imbalance settlement and financial clearing. In addition to the above, there are also tasks related to the establishment and operation of the balancing market and the balancing energy market operator platform, where the system operator buys or sells energy to balance the imbalances of the electricity system. Borzen's **Centre for Support** operates the support scheme for electricity production from renewable sources and high-efficiency cogeneration. Borzen also ensures the operation and technical management of the Registry of Guarantees of Origin in the Republic of Slovenia, which is a fundamental tool for ensuring traceability of the origin or provenance of electricity produced

in Slovenia. Within the framework of its own brand *Trajnostna energija* (“Sustainable Energy”), Borzen also carries out **information, awareness-raising and training activities** on renewable energy sources and the efficient use of energy, thus fulfilling its legal obligations and supporting environmental policies through public awareness-raising. Borzen is also in the process of setting up a **single point of contact** to simplify, expedite and harmonise administrative procedures related to renewable energy investments.

In addition to its public service tasks, the company also provides **clearing and information services** for BSP Energy Exchange, **RRM - REMIT reporting services** and **energy-related consultancy services**.

**Market Operator activities**

MARKET OPERATOR	
BALANCE SCHEME MANAGEMENT (ENTRY IN THE MARKET)	CENTRE FOR SUPPORT
RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS, DRAWING UP OF THE INDICATIVE OPERATING SCHEDULES	RES/CHP SUPPORT SCHEME conclusion of contracts and support payments management of scheme assets
IMBALANCE SETTLEMENT	management of scheme energy
BALANCING MARKET	GUARANTEES OF ORIGIN REGISTRY
REMIT – RRM REPORTING	PROVIDING INFORMATION ON RES AND EE
	WEB PORTAL <i>TRAJNOSTNA ENERGIJA</i> (SUSTAINABLE ENERGY)
	SINGLE POINT OF CONTACT
CLEARING AND FINANCIAL SETTLEMENT	
ENSURING A REGULATED AND TRANSPARENT ELECTRICITY MARKET	
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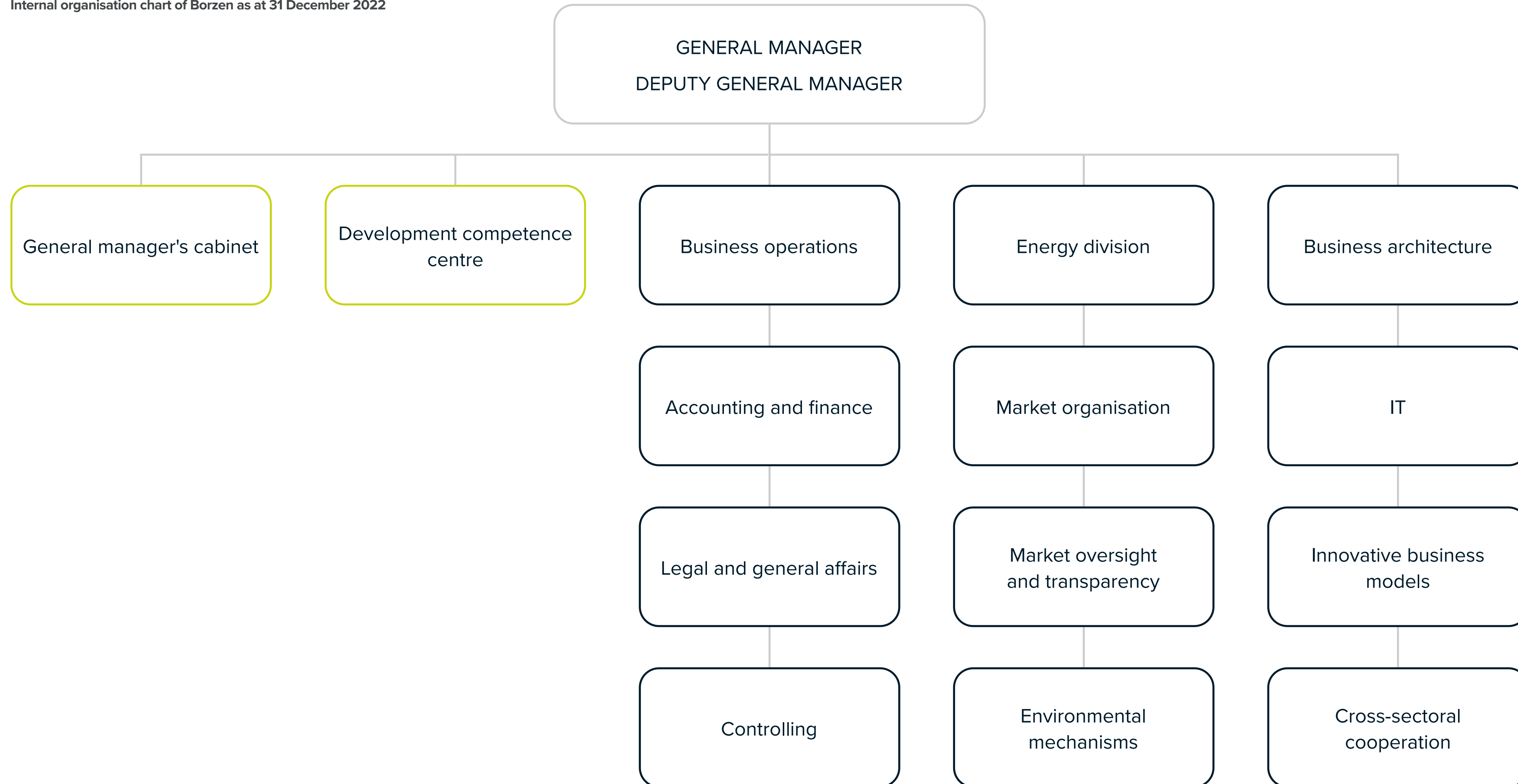
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## Organisation chart of the company

Internal organisation chart of Borzen as at 31 December 2022



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## The company's business strategy and plans

In the context of the implementation of the tasks of the public utility assigned to Borzen by the concession agreement, the company's primary goal is to ensure the coordinated operation of the electricity system in Slovenia, organise a transparent and competitive electricity market and promote investments in renewable energy sources and encourage efficient use of energy. By providing high-quality services on the electricity market, including the development of new services, Borzen fulfils the tasks of public economic services and pursues and co-creates the development of the energy market, especially in light of the goals set by the EU in Slovenia in the field of climate change.

One of the key documents in this area, the implementation of which will be supported by Borzen, is the Integrated National Energy and Climate Plan (hereafter referred to as the NEPN) for the period up to 2030 (with a view to 2040), which was adopted in 2020 and which, among other things, defines the following objectives:

- Reduction of total greenhouse gas emissions by 36%.

### Borzen's implementation strategy

#### OPERATIONAL EXCELLENCE

##### ENHANCING OPERATIONAL EFFICIENCY AND PERFORMANCE

- Increasing the excellence of business functions;
- Improving business performance and operational efficiency;
- Increasing the quality of business process and functions.

- Ensuring high responsiveness, timeliness and proactivity of employees to effectively support to the company.
- Introduction of a process approach.
- Strengthening »active« communication, which would improve certain work procedures and consequently cooperation between areas of work.
- Utilizing information support for the implementation of services to ensure and improve the quality of services to users and increase efficiency.
- Maintaining good visibility and reputation of Borzen by consolidating activities that build sustainable operation and strengthen the reputation of Borzen as a socially responsible and environmentally oriented organization.

##### INCREASING THE QUALITY OF SERVICES AND CUSTOMER SATISFACTION

- Information support to the implementation and availability of services.
- Co-creation of a support scheme with active participation in policy making by providing analyzes and proposals.

#### GROWTH AND DEVELOPMENT

##### SEIZING SELECTED OPPORTUNITIES FOR GROWTH AND DEVELOPMENT

- Finding synergies with other tasks and optimizing existing ones, taking advantage of further development of energy markets.

- At least 35% improvement in energy efficiency.
- At least 27% renewable energy in final energy consumption.

Borzen is explicitly mentioned in reference to certain instruments, specifically:

- Development incentives for decarbonising gas supply.
- Support scheme for the promotion of electricity production from RES and CHP.
- Financial incentives for energy efficiency and RES use in residential buildings.
- Ensuring conditions for efficient market development.

Key strategic objectives of the company:

- Achieving satisfactory profitability.
- Ensuring efficient operation through operational excellence.
- Consolidating existing activities and taking on tasks with synergistic effects with the services provided by Borzen as a public utility.

In line with the role of market operator entrusted to Borzen by the state, the company's strategic challenges and objectives are strongly intertwined with the development of the energy market and the provision of the highest quality services to all market participants, as well as supporting the environmental policies

of the EU and Slovenia. Together with the key stakeholders, the company's objectives, vision and mission are defined in the company's strategic documents, which are approved by the Supervisory Board and the Government of the Republic of Slovenia. The objectives and their achievement are described in more detail below.

With the adoption of new legislation in 2021, major changes have taken place under the Act on the Promotion of the Use of Renewable Energy Sources (hereinafter referred to as the ZSROVE) for the future operation of the Centre for Support. Key changes include the introduction of a single contact point (assisting investors in the administrative field of renewable energy investments), the extension of the guarantees of origin system, the introduction of investment subsidies for power plants (and combinations with battery storage) in the new self-supply system, the extension of the RES subsidy system as well as the extension of some existing tasks. In the area of the electricity market operator's public utility activities, the Electricity Supply Act (ZOEE) introduces changes in relation to the flexibility market, the calculation of the imbalance settlement, the publication of inside information for market monitoring and changes in the operation of the balancing market.

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## Materiality matrix

The materiality matrix is the basic framework or tool used by the company in managing relations with strategic publics and its key stakeholders. We identified the essential themes of sustainable development and assessed them from the point of view of importance for our key stakeholders and from the point of view of importance for Borzen. Based on the essential contents of the GRI standards and on the basis of Borzen's strategy and activities, we divided the essential contents into the following sections:

- Economic aspects,
- Social aspects (employees and social environment),
- Employees,
- Preserving intellectual capital,
- Environment.

Within these aspects, the following key attributes are identified:

### Economic aspects

- The stability and viability of the company.
- Reliability of payments.

### Social aspects

- Quality and on-time service.
- Building on existing cooperation.
- Reputation of the company.
- Friendly attitude towards customers.
- Involvement of the local community.

## Employees

- Reliability and trust in society.
- Care for employees.
- Health and safety at work.
- Employee relations.
- Employee satisfaction.
- Employee education, training and career development.
- Diversity, equal opportunities and non-discrimination.

## Aspects of preserving intellectual capital

- Transparency and business compliance.

## Environment

- Care for the environment.

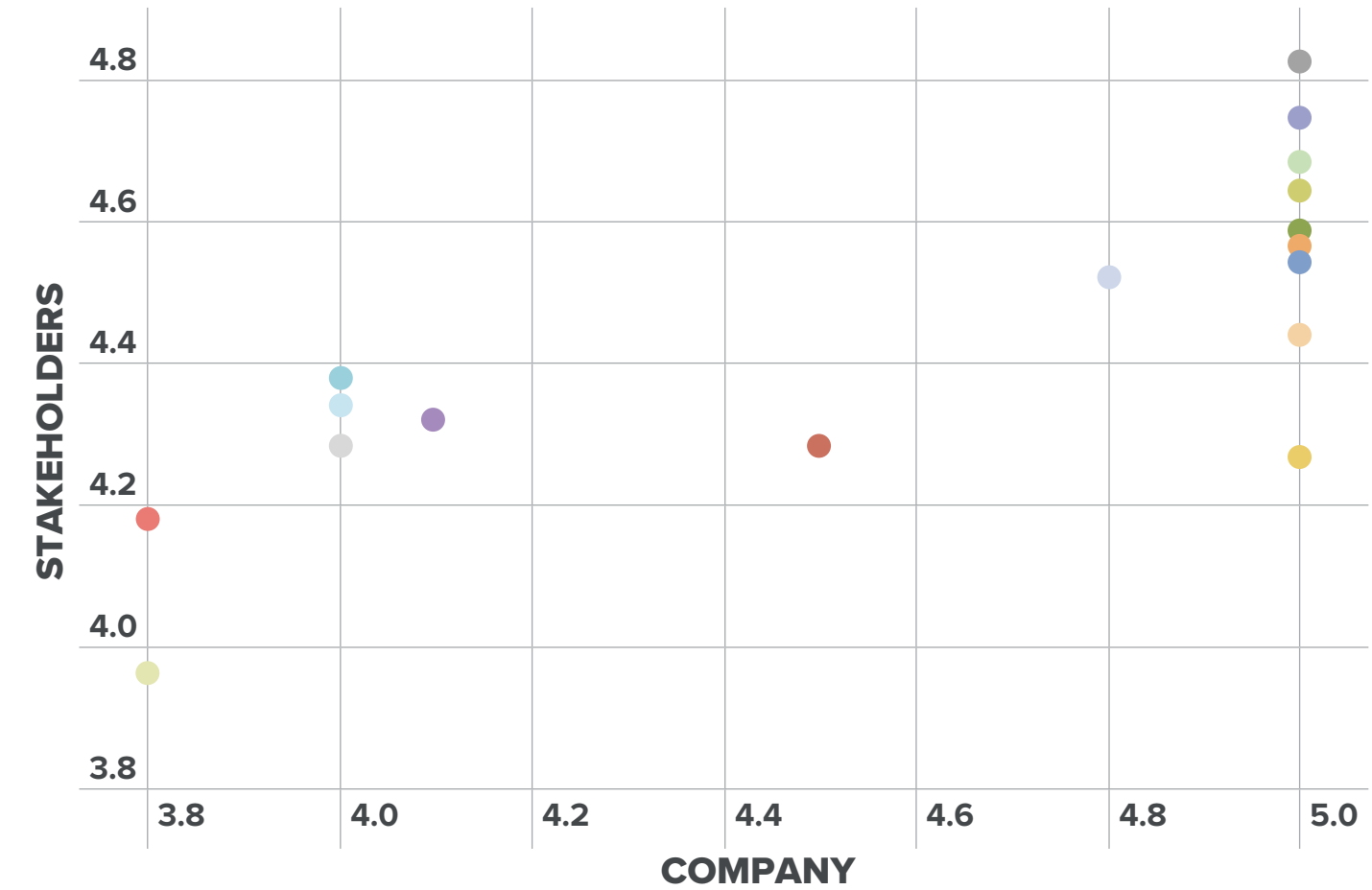
## Related materialities

- Responsible and sustainable operation of the company.
- Effective risk management system.

Key stakeholder ratings were obtained through a questionnaire and the responses were used to create a materiality matrix with eighteen key attributes. The 2018 materiality matrix is presented below.

The indicators selected with the help of our stakeholders reflect all those elements that leave the strongest sustainability mark on our business. The selected indicators aim to show the most important impacts of our business on society and the environment.

Materiality matrix



Materiality matrix

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

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<sup>5</sup> GRI 102-5, 102-18, 102-22, 405-1



# COMPANY MANAGEMENT SYSTEM

The management of the company is composed of one member, i.e. the general manager of the company. The directors of the divisions report to the general manager, while the heads of departments report to the directors of the divisions. Through precisely defined processes, the proper implementation of all the company's activities is ensured, with the heads of departments or administrators of individual processes regularly informing their superiors and the management about the course of processes and including them in decisions. The company operates through established and IT-enabled workflows that include both coordination and approval at the appropriate levels, with all important documents approved by the management. The college of directors usually meets on weekly basis to manage the company's operation through decisions and resolutions. More detailed reports are prepared for the management and the Supervisory Board on a quarterly basis, when the fulfilment of strategic goals is monitored and a report on comprehensive risk management in the company is prepared. The management and directors of the divisions are the bearers of the company's strategy and, together with the heads of departments, also the preparers of the company's business plans. The principles for management decision-making are based in particular on business efficiency, development considerations within the energy and wider market, and sustainable development. The company's objectives are communicated to all employees, who are aware that results can only be achieved through joint efforts.

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# CORPORATE GOVERNANCE STATEMENT<sup>6</sup>

The Management and the company’s Supervisory Board give a corporate governance statement in accordance with Article 70 of the Companies Act and Point 3.4.1 of the Corporate Governance Code for Companies with State Capital Investments, which contains the content as required by Article 70 of the Companies Act for Public Limited Companies.

## Reference to the Corporate Governance Code for Companies with State Capital Investments

Borzen follows the recommended standards of the Corporate Governance Code for Companies with State Capital Investments (hereinafter referred to as the Code), adopted by the Management Board of the Slovenian Sovereign Holding on 6 June 2022. The Code is publicly accessible on the Issuer’s website.

## Borzen’s derogations from provisions of the Code

Individual derogations from the Code are disclosed in the continuation of this statement.

Based on the size of the company and its management modes, including the size of the Supervisory Board, certain provisions of the Code are not applicable to the operation of Borzen and thus cannot be complied with.

This involves the following provisions of the Code:

NUMBER IN THE CODE	BORZEN IS BOUND BY THE PROVISION	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
3.2	NO	NO	The provision does not apply to a small limited company.
4.2	NO	NO	Borzen has only one shareholder.
4.2.4	NO	NO	The provision applies only to public limited companies.
4.3	NO	NO	The provision does not apply to Borzen since, in accordance with the provision of Article 511 of the Energy Act, the rights and obligations attributable to the Republic of Slovenia by virtue of the capital investment in these companies are exercised by the Government as of the date of entry into force of this Act and, consequently, cannot be exercised.
9.2.4, 9.2.5, 9.2.6, 9.2.7, 9.2.8, 9.2.9, 9.2.10 and 9.3	NO	NO	Since Borzen is a small company, it is not required to set up an internal audit service in accordance with Provision 9.2.3.

Borzen partially complies with the following provisions:

NUMBER IN THE CODE	BORZEN IS BOUND BY THE PROVISION	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.1.7	YES	PARTIALLY	The Government of the Republic of Slovenia has decided that, instead of the Supervisory Board, the Government of the Republic of Slovenia will decide on certain types of transactions, as reflected in the company’s Articles of Association.
8.3	YES	PARTIALLY	The company only discloses the gross remuneration of the general manager and the members of the Supervisory Board in accordance with legal requirements, but not the net remuneration (net remuneration is the result of personal circumstances).

Borzen does not comply with the following provisions:

NUMBER IN THE CODE	BORZEN IS BOUND BY THE PROVISION	BORZEN COMPLIES WITH THE PROVISION	EXPLANATION
6.5.1	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, the preparation of competency profiles is neither reasonable nor necessary.
6.9.7	YES	NO	Since the Supervisory Board is not involved in the selection of candidates, which is conducted by the Government of the Republic of Slovenia, compliance with the Provisions 6.9.3, 6.9.4 and 6.9.5 is not necessary.
6.10.1	YES	NO	The Government of the Republic of Slovenia did not take into account the recommendations of the Slovenian Sovereign Holding when considering the level of attendance fees and function remuneration.

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## Corporate Governance System

Borzen has a two-tier governance structure. The managing bodies of the company 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 five-year period.

Up to and including 31 August 31 2022, the company was represented by Mr. Martin Bratanič, who, following his dismissal by the Supervisory Board on 1 September 2022, was succeeded by Mr. Borut Rajer for a fixed term of office for a period of two years, but not longer than until the appointment of a full-time general manager.

Mr. Borut Rajer has been managing and representing the company since 1 November 2022, when he took up his full five-year term of office as the company's general manager.

The general manager is entitled to a basic remuneration (salary) and an acceptable performance based remuneration (business performance bonus). The remuneration is set out in the company's Financial Report.

#### Mr. Borut Rajer, MSc, General Manager

Year of birth: 1975

Education: Master of Science (Statistics), Bachelor's degree in Economics

Professional profile: Energy

First appointment to the function: 1 September 2022, 1 November 2022

Conclusion of the mandate: Fixed term of five years

Memberships in other supervisory or management bodies that are not related to Borzen: /

### SUPERVISORY BOARD OF THE COMPANY

In line with the company's Articles of Association, the company's Supervisory Board consists of three members who are appointed by the Shareholder for a period of five years.

Up to and including 3 June 2022, the Supervisory Board consisted of the following members:

- Chairman of the Supervisory Board: Mr. Peter Žmak,
- Vice Chairman of the Supervisory Board: Mr. Tomaž Kokot,
- Member of the Supervisory Board: Mr. Davorin Dimič.

The Government of the Republic of Slovenia dismissed all three members of the Supervisory Board with effect from 3 June 2022 and appointed new members to the Supervisory Board for a term of five years with effect from 4 June 2022.

The Supervisory Board, following its constitutive meeting of 14 June 2022, is composed as follows:

- Chairman of the Supervisory Board: Ms. Mojca Veljkovič,
- Vice Chairman of the Supervisory: Ms. Ivana Nedižavec Korada,
- Member of the Supervisory Board: Mr. Žiga Fišer.

In accordance with the company's Articles of Association, the competences of the Supervisory Board are as follows:

- Appointing and dismissing the General Manager,
- Reviewing the composition of the annual report and the proposal for the use of distributable profit, preparing a written report for the founder or the sole shareholder on the results of the verification of the annual report, and confirming or stating the observations regarding the annual report,

- Proposing the adoption of resolutions within its field of competence or giving its opinions on proposals for the adoption of resolutions of the general meeting, made by the General Manager,
- Adopting the annual operating plan and approving the company's annual report,
- Issuing a reasoned opinion on the company's strategic plan,
- Concluding employment contracts with the General Manager and confirming the content of other contracts, concluded with the General Manager or the Procuration Holder,
- Giving consent to the General Manager for the appointment of a member of the legal entity's supervisory or administrative body, in which the company holds a controlling stake or a dominant influence,
- Giving consent to the General Manager for disposing of the shares or interest in a legal person, in which the company holds a controlling stake or a dominant influence,
- Requesting that the General Manager provide any information necessary for exercising supervision in the company or its subsidiaries,
- Issuing a reasoned opinion on all legal transactions relating to the disposal of shares or business interests held by the company, in particular acquisitions, disposals or encumbrances,
- Giving its consent to the General Manager on any legal transaction concerning the investment of assets held by the company under management, except for investments in banks within the EU and investments guaranteed by the Republic of Slovenia,
- Giving its consent to the General Manager to any disposal of immovable property in the amount of more than EUR 750,000.

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## The composition of the company's Supervisory Board:

### Ms. Mojca Veljkovič, Chairman of the Supervisory Board

**Year of birth:** 1972

**Education:** Bachelor of Laws with state judicial exam

**Professional profile:** Law, Energy

**Start of the mandate:** 4 June 2022 (Representative of the capital)

**Completion of the mandate:** 4 June 2027

**Attendance at the Supervisory Board meetings:** 18/18

**Independence under Article 23 of the Code:** YES

**Existence of a conflict of interest during the financial year:** NO

**Memberships in other supervisory or management bodies that are not related to Borzen:** /

### Ms. Ivana Nedižavec Korada, Vice Chairman of the Supervisory Board

**Year of birth:** 1977

**Education:** Bachelor of Economics

**Professional profile:** Finance, Accounting, Audit, Energy

**Start of the mandate:** 4 June 2022 (Representative of the capital)

**Completion of the mandate:** 4 June 2027

**Attendance at the Supervisory Board meetings:** 18/18

**Independence under Article 23 of the Code:** YES

**Existence of a conflict of interest during the financial year:** NO

**Memberships in other supervisory or management bodies that are not related to Borzen:** Member of the Supervisory Board of GEN energija d.o.o. (from 10 August 2022)

### Mr. Žiga Fišer, Member of the Supervisory Board

**Year of birth:** 1978

**Education:** Bachelor of Political Science

**Professional profile:** Energy, International business, Logistics

**Start of the mandate:** 4 June 2022 (Representative of the capital)

**Completion of the mandate:** 4 June 2027

**Attendance at the Supervisory Board meetings:** 18/18

**Independence under Article 23 of the Code:** YES

**Existence of a conflict of interest during the financial year:** NO

**Memberships in other supervisory or management bodies that are not related to Borzen:** /

The Supervisory Board, as previously constituted, established an Audit Committee on 22 July 2020 for the purpose of its work.

Following the changes in the composition of the Supervisory Board in 2022, the Audit Committee is, as from 7 July 2022, composed as follows:

- Chairman of the Audit Committee: Ms. Ivana Nedižavec Korada,
- Member of the Audit Committee: Ms. Mojca Veljkovič,
- External Member of the Audit Committee: Mr. Braco Mihelj.

The members of the Supervisory Board and the members of the Audit Committee were entitled to remuneration for their functions in 2022 on the basis of a valid resolution of the shareholder, which is further specified in the financial report.

The members of the Supervisory Board were acquainted with the independence criteria and signed a declaration of independence.

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## SHAREHOLDER<sup>7</sup>

The Republic of Slovenia is the sole shareholder of Borzen, d.o.o. 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 (hereinafter referred to as the Shareholder).

The Shareholder decides independently on all matters within its competences. In accordance with the company's Articles of Association, the shareholder decides on the following matters:

- the adoption of the Articles of Association and its amendments,
- the appointment of the auditor,
- the adoption of the annual report,
- the adoption of the company's strategic plan,
- the use of the balance-sheet profit and the coverage of balance-sheet losses,
- granting discharge to the General Manager,
- the appointment or dismissal of the members of the Supervisory Board,
- Granting discharge to the members of the Supervisory Board,
- the adoption of measures to increase or reduce the share capital,
- the division and termination of business holdings,
- giving approval to the General Manager to take out loans exceeding the amount of EUR 1 million,
- giving approval to the General Manager to issue a company guarantee to a legal entity in which the company holds a controlling interest or a dominant influence,

- representing the company in legal proceedings against members of the Supervisory Board,
- the dissolution of the company and reorganisation of the company's status,
- other matters defined by law and not delegated to the Supervisory Board.

The general meeting is usually held once a year. Four general meetings were held in the financial year 2022, the first one on 3 June 2022, at which the Shareholder dismissed the members of the Supervisory Board and appointed new members for a term of five years.

The second general meeting, at which the Shareholder adopted the Annual Report of Borzen for the financial year 2021 and resolved that the balance-sheet profit of EUR 433,660.74 be used by allocating the profit in full to other profit reserves. At the general meeting, the Shareholder granted a discharge to the General Manager and the members of the Supervisory Board for their work in 2021.

At the third general meeting on 19 October 2022, the Shareholder adopted the Act Amending the Articles of Association.

At the fourth general meeting on 10 November 2022, the Shareholder adopted a resolution on the disposal of Borzen's business share in BSP in the amount of 50 percent of the share capital to ELES, and took note of the investment of Borzen's assets under management in BSP.

## Declaration of compliance with the Corporate Governance Code of State Invested Enterprises

The Management and the Supervisory Board of Borzen declare that the company, in the course of its work and business, complies with the provision of the Corporate Governance Code of State Invested Enterprises, with the exception of the provisions set out in Section 2 of this Statement.

## The company's system of internal control and risk management

The company operates a system of internal controls and risk management in accordance with the comprehensive risk management system.

## Corporate integrity system in the company

Borzen adheres to the recommendations of the good corporate practice of the Slovenian Sovereign Holding and the Slovenian Directors' Association.

## Associated companies

Until 30 November 2022, Borzen was a shareholder in the company BSP Energetska Borza d.o.o., in which it also participated as its co-founder.

BSP was jointly controlled by Borzen and ELES, each with a 50-percent stake.

Borut Rajer, MSc  
General Manager

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# SUPERVISORY BOARD AND SUPERVISORY BOARD REPORT

In 2022, Borzen implemented various projects and activities supporting the development of the Slovenian energy market, thus continuing to fulfil its mission of the electricity market operator.

## COMPOSITION OF THE SUPERVISORY BOARD

In 2022, the Supervisory Board was composed of:

- until 3 June 2022:
  - Mr. Peter Žmak, Chairman of the Supervisory Board,
  - Mr. Tomaž Kokot, Vice Chairman of the Supervisory Board,
  - Mr. Davorin Dimič, Member of the Supervisory Board.
- - from 4 June 2022 onwards:
  - Ms. Mojca Veljkovič, Chairman of the Supervisory Board,
  - Ms. Ivana Nedižavec Korada, Vice Chairman of the Supervisory Board,
  - Mr. Žiga Fišer, Member of the Supervisory Board.

## COOPERATION WITH THE MANAGEMENT OF THE COMPANY

The cooperation between the Management and the Supervisory Board was constructive and ensured the Supervisory Board's ongoing monitoring of the company's operations and the fulfilment of its objectives. We consider that the objectives were met to a high standard and that the cooperation between the Supervisory Board and the Management was conducted in a successful manner.

## THE FUNCTIONING OF THE SUPERVISORY BOARD

The entire composition of the Supervisory Board of Borzen accepts its role as a supervisory body with great responsibility and awareness of the role of Borzen as a market operator in the Slovenian electricity market. The Supervisory Board therefore expects the management of Borzen and all its employees to act in a manner that reflects conscientious, credible and transparent operations.

The new Supervisory Board held 18 regular meetings, three of which were held as correspondence meetings. At all regular meetings, which were not correspondence meetings, the management was also present and the Chairman of the Supervisory Board cooperated with the management in the period between the regular meetings, within the scope of her responsibilities. However, the management was not present at the meetings concerning the dismissal and appointment of the management.

The new Supervisory Board retained the Audit Committee, which was expanded with two new members as of 7 July 2022 and met in its new composition for seven regular meetings in 2022.

The Supervisory Board dealt with matters in accordance with the applicable legislation, Borzen's Articles of Association and the Rules of Procedure of the Supervisory Board. The new Supervisory Board dismissed the General Manager and appointed an interim General Manager for a fixed term of two years until the appointment of a full-time General Manager. Subsequently, the Supervisory Board conducted an open call for applications for the position of the General Manager and, following the conclusion of the call, appointed a General Manager for a five-year mandate.

The Supervisory Board took note of the quarterly management reports and other regular reports and actively participated in the preparation of proposals for amendments and supplements to the company's Articles of Association.

The Supervisory Board also monitored the operations of the energy exchange BSP, in which Borzen held a 50 percent shareholding and actively monitored and completed the sale of its shareholding.

During its work in 2022, the Supervisory Board constantly monitored the company's operations in terms of compliance with the Code and the recommendations of the Slovenian State Holding.

Mojca Veljkovič,  
Chairman of the Supervisory Board of Borzen

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# STATEMENT ON NON-FINANCIAL REPORTING

Borzen's Annual Report combines and integrates the reporting on financial and non-financial performance in the context of the Business Report. This is structured as reporting on the refinement of capital inputs that the company uses to create value for its key stakeholders. This already partially follows the Integrated Reporting Guidelines ([www.integratedreporting.org](http://www.integratedreporting.org)), but comprehensive adaptation to these guidelines, which ensure full connectivity of financial capital with non-financial capital, will follow in the following reporting years.

In corporate reporting designed this way, we consider the following requirements and expectations in this report:

- Slovenian Companies Act (Official Gazette of the Republic of Slovenia, No 65/09 - official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 - decision of the Constitutional Court, 82/13, 55/15, 15/17, 22/19 – ZPosS, 158/20 – ZIntPK-C, 18/21 and 18/23 – ZDU-10; shorter: ZGD-1),
- Guidelines on business transparency and reporting as contained in the Code of Corporate Governance of Companies with State Capital Investment (SDH, d. d., June 2022),
- GRI (Global Reporting Initiative) sustainability reporting guidelines, with the transition to the GRI standards and the continued use of the GRI EUSD sectoral disclosures of electricity companies, a table with references to the GRI standards can be found in the section on the compliance with the Sustainable Development Guidelines,
- Value Reporting Foundation Guidelines (<https://www.valuereportingfoundation.org/>) and Integrated Reporting Framework Guidelines (<https://www.valuereportingfoundation.org/wp-content/uploads/2021/07/InternationalIntegratedReportingFramework.pdf>).

Mag. Borut Rajer,  
direktor

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# 4 SUMMARY OF RESULTS<sup>8</sup>

<sup>8</sup> GRI 102-46

# SUSTAINABLE DEVELOPMENT OBJECTIVES ACHIEVED IN 2022

- Achieving a satisfactory return on investment.
- Ensuring efficient operations through operational excellence.
- Consolidating existing activities and taking on tasks with synergistic effects with the services provided by Borzen as a public utility.

## PLANNED OBJECTIVES FOR 2022

**Participation in Slovenian and international energy market development projects**

## ACHIEVING THE OBJECTIVES IN 2022

**BD4NRG – Big Data for Next Generation Energy:** The project is part of the Horizon 2020 programme and started in January 2021, with a duration of three years. The main purpose of the project is to review different aspects of big data issues in the energy context through several pilot cases. For Borzen, the project is additionally important because it addresses the issue of aggregators, which is one of the key elements of the upcoming change in the market model due to the "Clean Energy for All Europeans" package.

**FARCROSS – Facilitating Regional Cross-border Electricity Transmission through Innovation:** The project is part of the Horizon 2020 programme and started in October 2019, with a duration of four years. The main objective of the project is to optimise the use of physical (cross-border) electricity infrastructure with the aim of developing solutions, including both physical interventions and process changes, to increase the possible power flows on the same physical infrastructure (cross-border lines).

**NEDO-Fleks:** The project, which started in mid-2019 and successfully concluded in April 2022, addressed the problem of resilience and sustainability of the electricity system and smart communities. Borzen was tasked with studying the impact of battery storage participation in the power system's automatic frequency regulation on imbalance settlement and upgrading the aggregation and trading platform. The project developed a battery storage control system, advanced algorithms for Wide Area Management System (and Control) (WAMS), new modules to the sub-energy management system, an information platform and an upgraded market flexibility platform to enable sustainable development, more reliable electricity supply in emergency situations, efficient use of energy, multi-functional use of equipment and maximum integration of customers in electricity markets.

**STREAM:** The project is implemented under the Horizon Europe programme and started in October 2022, with a duration of four years. The project aims to set up an innovative "flexibility" ecosystem on the low-voltage side of the grid and a key added value will be the development of new business models linked to flexibility. Borzen's task is to prepare the framework and basis for the creation of a national flexibility register for all installations involved in the project.

**Development of the Centre for Support services**

In order to keep up with the trend towards digitalisation and, at the same time, to be more user-friendly, we have set up an online portal for users of the Centre for Support services, which makes it easy and fast to issue invoices, submit applications, view production data, change contact details and access news related to support. More than 1,650 users have already registered on the portal and on average more than 2,000 invoices are issued through the portal on a monthly basis.

**Development of energy efficiency services**

The European Green Deal is a commitment by all EU Member States to, among other things, increase the share of RES in final energy consumption and reduce energy consumption in all material flows, which is also a national target in the NEPN. Development activities in 2022 were therefore directed towards the development of environmental mechanisms in the framework of the Centre for Support and the identification of trends in the green, digital and fair transition, which are not yet mandatory for Borzen, but will be in the future. Thus, activities were carried out to develop competences and design projects with different stakeholders to promote RES and EE investments.

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PLANNED OBJECTIVES FOR 2022	ACHIEVING THE OBJECTIVES IN 2022
<b>Development of the single point of contact for RES investments</b>	The Centre for Support is tasked under the Slovenian Act on the Promotion of the Use of Renewable Energy Sources (ZSROVE) to establish a single point of contact to accelerate the transition to sustainable energy production and to simplify, speed up and improve the consistency of administrative procedures related to investments in RES.
<b>Stakeholder satisfaction</b>	Carrying out a stakeholder satisfaction analysis and various activities, especially in the area of stakeholder communication, with more stakeholder involvement as well as more targeted communication and new content.
<b>Social responsibility</b>	Quality and reliable performance of the basic activities of the electricity market operator and the Centre for Support, implementation of information and awareness-raising activities on sustainable energy, maintenance of the Socially Responsible Company and Family Friendly Company Certificates, preparation of the Sustainability Report in accordance with the GRI guidelines.
<b>Optimisation of business processes and operational quality</b>	We have optimised and modernised certain business processes and adapted the IT support accordingly.
<b>Ensuring compliance with information security and digital business standards</b>	Information security management is an ongoing process of planning, implementation, control and action to continuously improve the level of information security. In 2022, Borzen successfully completed an external control audit in accordance with the ISO/IEC 27001:2013 standard. To ensure security against cyber threats, a Security Operations Centre service was introduced in 2022. As of 1 January 2023, the service was cost-optimised and upgraded with predictive cyber security analytics.
<b>Reducing the company's carbon footprint</b>	The company is taking various measures to reduce its carbon footprint year on year, with a particular focus on business travel, depending on the company's activity. In 2022, the carbon footprint did increase slightly compared to the previous year, mostly due to the lifting of restrictions that were in place during the COVID-19 pandemic. However, the carbon footprint in 2022 was still significantly lower compared to the years before the pandemic.
<b>Promoting employee engagement</b>	In 2022, the employee turnover rate has increased slightly compared to the previous year, mainly due to changes in the IT labour market. However, we have used a variety of tools to promote employee engagement and we also measured organisational climate.
<b>Achieving the targeted profitability</b>	The company's profitability ratios in 2022 are higher than planned due to higher realised profits resulting from higher financial income related to the sale of the stake in BSP. The return on equity (ROE) is 37.3 percentage points higher, while the return on assets (ROA) is 0.9 percentage points higher. ROA is not affected to the same extent as ROE by the higher profit, as the company's assets include the assets of the Centre for Support and imbalance settlement, which are managed by the company.

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**5 THE IMPACT OF ECONOMIC,  
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**In 2022, the electricity market, like other energy markets, faced a significant increase in electricity prices. The price increase started already in the second half of 2021, when the electricity prices were mainly influenced by the gas market. In January 2022, the price remained at a higher level, but after the start of the war in Ukraine, the price spiked again in February and exceeded even the 2021 prices. The price increase resumed in the summer months and peaked at the end of August with record prices on the market, after which prices gradually stabilised until November, until a new wave of high prices in December, which did not reach the prices of the summer months.**

The electricity market in 2022 was characterised by a series of government measures to mitigate the impact of high energy prices, as a result of the situation described above. In order to limit price increases for final consumers, several regulations were adopted setting out the electricity pricing mechanisms for different customer segments and, at the end of the year, an emergency intervention law to deal with high energy prices was adopted. In view of the tight situation, Borzen continued to monitor the performance of the members of the Balance Scheme more closely throughout the year. It was ensured that all the tasks of Borzen were carried out smoothly, although under partially adapted circumstances.

The trend of increased investments in renewable energy sources with the aim of reaching the minimum targets set by Directive 2009/28/EC already slowed down in Slovenia in 2015. Despite the calls for tenders, the implementation of projects (and their actual entry into the Support Scheme) is currently still very poor. A key problem is the spatial siting of power plants, which is regulated outside the Support Scheme. We expect that many projects that have been approved in the Energy Agency tenders will not be finalised, as it is a condition that the power plant has to be connected to the grid within three years, or five years at most if it is a complex facility, or a building permit is required. Since Slovenia did not reach the final target of 25% RES in gross end-use by 2021, the shortfall was compensated by the so-called “statistical transfer”, contractually agreed between the Republic of Slovenia and the Czech Republic.

The trend in Slovenia and Europe is heading towards greater integration and “deepening” of the markets. Borzen is following this trend by participating in European projects and associations (especially EuroPEX, the European Association of Exchanges and Energy Market Operators) and by increasing the use of and focus on renewable energy sources and efficient use of energy. Overall, market concentration continues.

Over the course of the year, the process of transposition of the EU legislative package “Clean Energy for All Europeans” into the Slovenian legal order continued, with Borzen actively participating in the process. Among other things, the Electricity Supply Act (ZOEE) led to the adoption of the new Rules on the Operation of the Electricity Market and new Rules on the organisation of the Market Operator's platform for balancing energy.

We continue to focus our efforts on activities that ensure transparency in the electricity market, including by developing rules for the individual segments of the energy market, implementing a reporting service in line with the Regulation on Wholesale Energy Market Integrity and Transparency, promoting the flow of data exchange in the market and, last but not least, by publishing data, reports and other information on a timely and complete basis. In addition, we are active in promoting investment and the use of renewable energy sources and energy efficiency. Climate issues, trends and commitments, such as the European Green Deal and the Just Transition Mechanism, are geared towards creating a carbon-free society. The European Green Deal identified the energy sector as one of the key generators of the new green investment cycle. The energy sector will need to provide the conditions for access to long-term, sustainable energy, while also depending on other sectors (energy consumption in all material flows) to achieve the targets. Understanding these dynamics is the basis for considering the so-called Green and Just Transition, where the key actions from an energy use perspective concern precisely energy efficiency and increasing the share of renewable generation.

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# 6 PRODUCTION CAPITAL



EUR **2.02** million

Value of tangible assets



EUR **426** thousand

Value of intangible assets (software)



EUR **382** thousand

Amortisation

The company's production capital consists mainly of the facilities, installations, tools and technologies the company has at its disposal to execute its activities. Borzen owns office premises at 156 Dunajska cesta in Ljubljana, where it also houses the entire IT infrastructure, with all the necessary software and ICT.

As Borzen's entire business is of a service nature, the above production capital is used to carry out all our activities:

- recording of closed contracts and operational forecasts and preparing the indicative operating timetable for the transmission and distribution network,
- the operation of the balancing energy market operator platform (replacement reserve),
- carrying out the imbalance settlement including financial settlement,

- the operation of the Balance Scheme,
- the implementation of the Support Scheme for environmentally friendly electricity generation,
- maintaining the Guarantees of Origin registry,
- the implementation of activities in the unregulated market (REMIT reporting), clearing of exchange transactions and IT support for BSP Energy Exchange and development of the Centre for Support services,
- the implementation of information and awareness raising activities.

### IT INFRASTRUCTURE

Ensuring the company's business continuity is one of the most important elements of a stable electricity system. By keeping

pace with technological developments and maintaining a high technological level of process performance, ensuring the continuous operation of key information systems and maintaining the information and cyber security, we fulfil our public utility tasks.

In 2022, we set up a managed Security Operations Centre service to ensure 24/7 monitoring of security events, triage and analysis of the detected security events and predictive threat detection. This ensured compliance with the European NIS-2 Directive and significantly improved information security. The service was upgraded in content and cost-optimised at the end of 2022.

In addition to upgrades and modernisations of all business applications, in the past year we also replaced the firewall and modernised the system and protocol for issuing our own digital certificates.

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# 7 COMPANY CAPITAL<sup>9</sup>

PARTICIPATION FOLDER

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<sup>9</sup> GRI 102-2, 102-40, 102-42, 102-43, 102-44



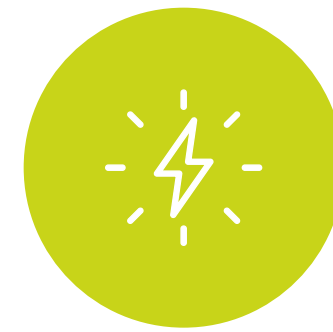
**54**

Number of members in the Balance Scheme



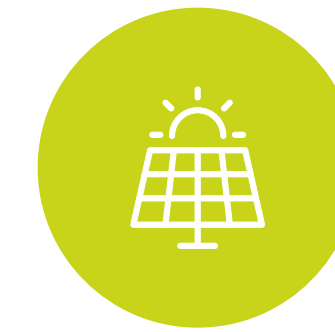
**99,371**

Number of recorded closed contracts and operational forecasts



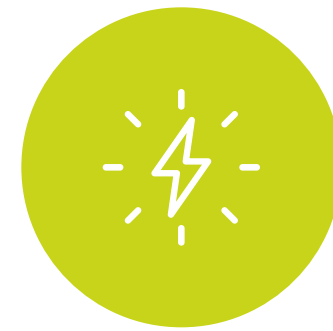
**75.3** TWh

Electricity quantities from registered closed contracts and operational forecasts



**3,781**

Number of power plants in the Support Scheme



**800.8** GWh

Quantity of electricity produced by power plants in the Support Scheme



EUR **94.76** million

Payments for electricity produced by power plants in the Support Scheme



EUR **118.3** per MWh

Average disbursed support to power plants in the Support Scheme

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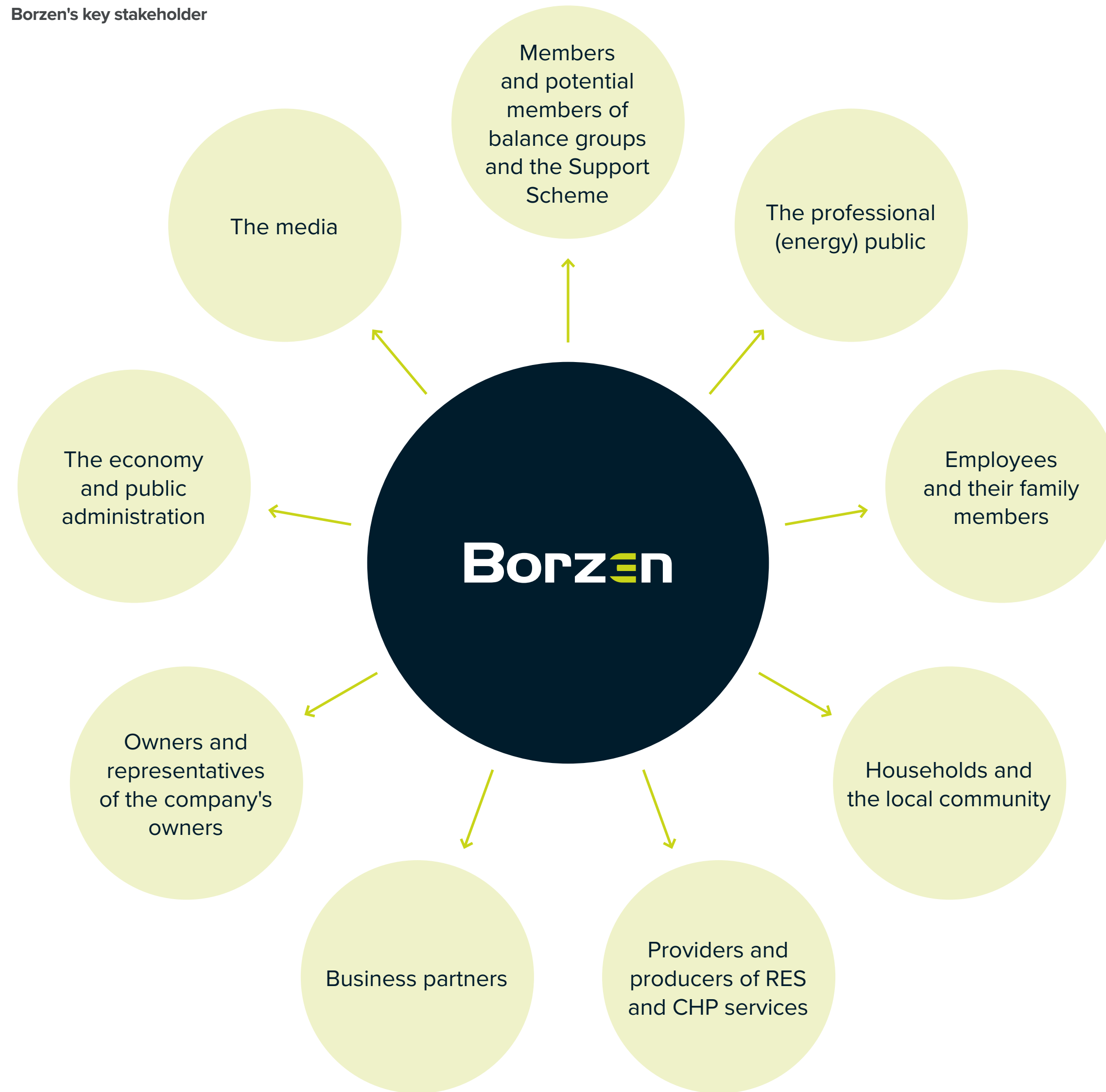
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# PARTICIPATION FOLDER

Borzen is the meeting point of the electricity market and our stakeholders are everyone we influence through our business and those who influence us through their business. Key stakeholders are thus closely related to the core business of the company.

Borzen's key stakeholder



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# RELATIONSHIP WITH THE MARKET<sup>10</sup>

As part of its activities as a market operator, Borzen enables stakeholders to actively participate in the electricity market. As part of the Balance Scheme management process, it enables stakeholders to enter the market or move between different Balance Scheme groups. For all members, we carry out the daily activity of recording closed contracts and operational forecasts, as well as the imbalance settlement, which is carried out on a monthly basis. In addition to the above mentioned tasks, Borzen actively cooperates with all relevant players in the development of the Slovenian electricity market through various workshops and by submitting comments on various legal and regulatory acts.

The Centre for Support, as the operational provider of one of the most important environmental instruments, i.e. the RES and CHP Support Scheme, facilitates the payment of subsidies to those entities whose starting price of the generation unit technology installation exceeds market prices, and at the same time manages the contribution funds that are the source of the payment of the subsidies. As the operator of the so-called Eco-Balance Group, we leave our mark on the entire organised electricity market, in which we address both the transmission and the forecasting of the supported electricity on the market. Through our role as the operational provider of the Support Scheme, we are also importantly involved in constructive cooperation in the adoption of legislation, the implementation of the RES directives and the cooperation with other relevant players in the RES field. In 2021, with the adoption of the Act on the Promotion of the Use of Renewable Energy Sources (ZSROVE), the Centre for Support has been given an even stronger role as an operational provider. One of the key tasks is the establishment of a contact point (which was launched in its basic form in August 2022) to provide information and assistance to RES investors. In this role, Borzen has taken an even more active approach to the implementation of legislation and directives and has extended its cooperation with the various

players who will contribute, together with Borzen, to the objectives set out in the NEPN and the European Green Deal.

The development activities towards meeting the objectives of the European Green Deal through the implementation of the Green, Digital and Fair Transition require the involvement of new stakeholders. The energy sector, as a key generator of the new green investment cycle, is also dependent on the management of energy in all material flows, which also includes other sectors with which Borzen has started to engage.

REMIT aims to increase transparency in wholesale energy markets and promote their integrity by establishing a control system to prevent abuses and by introducing prohibition on market abuse. This promotes open and fair competition and protects energy consumers by ensuring that prices reflect the fair and competitive interaction of supply and demand and that profits cannot be extracted from market abuse. The added value of REMIT is evident in an environment of high prices and stressful market situations, such as we have seen over the last year. These open up opportunities and increase the scope for maximising profits in the event of abuses. Borzen is also an important building block of REMIT. With its RRM - REMIT activity, Borzen is the only entity in Slovenia and Croatia that offers its services to all market participants who require this service to comply with their legal reporting obligations. The RRM-REMIT service is offered to both the Balance Scheme and BSP members. In this way, the RRM-REMIT service complements and builds on the activities of the market operator. In addition, there is also a synergistic relationship with BSP, whose members are also subject to reporting obligations. The RRM-REMIT activity itself goes beyond the electricity market and has been successfully transferred to the gas market.

We also have a mutually beneficial business relationship with BSP. Borzen provides IT support and clearing of the exchange transactions for BSP within its own IT infrastructure, while on the other hand Borzen also cooperates with BSP in the balancing market activities by offering trading platform with all the necessary functionalities.

## ELECTRICITY MARKET OPERATOR ACTIVITY

### Recording of closed contracts and operational forecasts and preparation of the indicative operating timetable for the transmission and distribution network

The Electricity Supply Act (ZOEE) requires the market operator to record membership agreements in the Balance Scheme, operational forecasts and closed contracts. All contractually agreed commitments in which electricity is bought or sold in Slovenia or in which energy is transferred across the borders of the regulatory area shall be recorded. Closed contracts and operational forecasts are recorded on a daily basis, all seven days of the week. On a daily basis, the responsible parties of a balance group shall forecast their balance group's production or consumption for the day ahead and the purchase or sale of electricity through closed contracts. They shall work towards ensuring that the overall operational forecast of the balance group in each billing interval is equal to the market plan of the balance group, or that the forecast consumption is covered by purchases and the forecast generation is covered by sales of electricity. In the event of changes in the reported quantities of closed contracts and operational forecasts that may be reported as a result of intra-day trading, an adjustment to the timetable shall also be made. The indicative operating timetable for the transmission and distribution network is produced on a daily basis by the market operator and is transmitted to the system operator ELES. Forecasting accuracy is important in particular from the point of view of the reliability of the electricity system and is promoted by an appropriate balance clearing methodology which encourages the responsible balance groups to forecast as accurately as possible. In the imbalance settlement process, a comparison is made between the market plan and their actual realisation, which results in the payment of imbalances of the market plan from the realisation.

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## RECORDING OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS

In 2022, a total of **99,371 closed contracts** and operational forecasts were recorded, with a total volume of **75,337 GWh**. Compared to the previous year, the number of the recorded closed contracts and operational forecasts was 6.2% lower, while the total volume of energy was 9% lower.

**Monthly volumes of electricity sold or purchased through closed contracts and operational forecasts and the number of recorded closed contracts and operational forecasts on the Slovenian electricity market in 2022**

MONTH	CLOSED CONTRACTS [in MWh]	OPERATIONAL FORECASTS [in MWh]	NUMBER OF CLOSED CONTRACTS AND OPERATIONAL FORECASTS
January	4,809,673.291	2,431,844.340	8,230
February	4,635,313.177	2,110,096.061	7,659
March	4,720,236.865	2,369,775.499	8,463
April	4,841,454.582	2,101,291.034	7,878
May	4,440,385.305	2,186,494.093	8,107
June	3,606,266.527	2,148,449.190	8,225
July	3,594,121.400	2,039,483.970	8,468
August	3,300,660.653	1,979,358.410	8,504
September	3,612,002.544	2,043,640.038	8,177
October	4,103,351.400	1,579,538.931	8,638
November	4,134,944.015	1,893,903.334	8,496
December	4,279,320.698	2,375,768.494	8,526
<b>Total</b>	<b>50,077,730.456</b>	<b>25,259,643.394</b>	<b>99,371</b>

In 2022, we observed a decrease in the value of the recorded quantities of closed contracts, which is 9.6% lower compared to the previous year, at 50,078 GWh. The same applies to the number of recorded closed contracts, where we observe an even greater decrease, with a 10.7% drop, to 51,468 contracts. The quantity of recorded closed contracts decreased at the expense of intra-Slovenian trading or closed contracts between members of the Balance Scheme, while the quantity of closed contracts

at the borders of the regulatory area increased compared to 2021. The volume of recorded closed contracts within Slovenia decreased by 18%, while the volume at the borders of the regulatory area increased by just under 7%. The amount of recorded operational forecasts also decreased compared to 2021, by just under 8% to 25,260 GWh. Forecast generation decreased by just over 14% and forecast consumption decreased by 1.5%.

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**Annual volumes of electricity sold or purchased through closed contracts and number of recorded closed contracts on the Slovenian electricity market in the period 2019-2022**



As can be seen from the figure above, the volumes and the number of recorded closed contracts vary from year to year, with an 11% decrease in 2022 compared to 2019. The same is true for the number of recorded closed contracts, where we see an 18% decrease from 2019 to 2022.

The decline in the volumes and number of recorded closed contracts is due to a number of factors, mainly related to the development of the electricity market. One of the reasons is related to the declining number of members in the Balance Scheme, as the membership decreased from 70 to 54 members from 2019 to 2022. The second reason is related to the intra-day market coupling project, which allowed the implicit allocation of physical intra-day cross-border transmission capacity at the Slovenian-Austrian and Slovenian-Croatian borders. As a consequence, the role of the market agent (the so-called "shipping agent") in the trading area of the Republic of Slovenia for intra-day trading has been transferred to the energy exchange BSP. This means that all trades executed on the intra-day trading platform are first recorded in the form of a closed contract between the energy exchange and the partner, and then the total volume traded with partners outside Slovenia is further recorded in the form of a closed contract between the energy exchange and the external partner at the border of the regulatory area. The latter is recorded in the form of two contracts at each border, as net imports or exports per interval, which is reflected in lower volumes and number of recorded closed contracts at the border

of the regulatory area with Austria and Croatia. The quantities of closed contracts are thus further reduced in 2022, as there is no longer a need to declare an additional closed contract between the system operator and the energy exchange, but the energy for importing or exporting electricity under the market coupling is transferred directly from the power exchange to the external partner. In addition, it is worth noting that in June 2022, the Hungarian border was also connected under the Core Flow-Based Day-Ahead Market Coupling project.

Data for the last four years are shown in the table below.

The members of the Balance Scheme (excluding the public utilities and the BSP exchange) are, in accordance with the energy legislation, liable to pay for the registration of closed contracts in which they act on behalf the supply side (i.e. the seller in a closed contract). The payments of the members of the Balance Scheme depend on the volume of the recorded closed contracts, excluding closed contracts for electricity imports, and are calculated on the basis of the declared volumes in MWh. In 2022, these volumes amounted to 19,477 GWh and were 8.4 % lower than in 2021, when these volumes amounted to 21,254 GWh.

**Annual volumes of electricity sold or purchased through closed contracts and number of recorded closed contracts on the electricity market in Slovenia in the period 2019-2022**

YEAR	ANNUAL VOLUME OF RECORDED CLOSED CONTRACTS [MWh]	PERCENTAGE CHANGE IN THE VOLUME OF CLOSED CONTRACTS COMPARED TO THE PREVIOUS YEAR	ANNUAL NUMBER OF RECORDED CLOSED CONTRACTS	PERCENTAGE CHANGE IN THE NUMBER OF CLOSED CONTRACTS COMPARED TO THE PREVIOUS YEAR
2019	56,239,158	3.2%	62,781	-4.3%
2020	53,839,877	-4.3%	54,790	-12.7%
2021	55,388,063	2.9%	57,654	5.2%
2022	50,077,730	-9.6%	51,468	-10.7%

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### CONCENTRATION TRENDS IN THE WHOLESALE MARKET

In the previous section, we analysed the total volume and the number of recorded closed contracts in 2022. However, it is not only the total volumes that are important from the perspective of the functioning of the market, but also their distribution. In the following, we present the Herfindahl-Hirschman Index (hereinafter: HHI) of the concentration and the sum of the shares of the five and ten largest balance groups. The HHI is calculated as the sum of the squares of the market shares of the balance groups (excluding the energy exchange and the independent system balance groups, i.e. the system operator) and CR5 and CR10 as the sum of the market shares of the five and ten largest balance groups respectively. The index value varies on a scale from 0 (perfect competition) to 10,000 (monopoly). In CR5 and CR10, the energy exchange and the transmission system operator are also excluded.

The table below shows that the HHI is at a very high level between 2019 and 2022, indicating a highly concentrated market. The HHI peaked in 2020 at 3,155 and in 2022 at 2,847, a similar level to the previous year. If we were to analyse the cumulative market share represented by the five largest players (CR5), we would find that the share of the five largest balance groups has increased from 91.4% in 2019 to 97.2% in 2022. The table shows that the share has been increasing steadily over the last four years. The situation is similar in the case of the CR10 index, which represents the sum of the shares of the ten largest balance groups in recorded closed contracts. It has increased from 95.9% in 2019 to 99.5% in 2022, which means that the ten largest balance groups accounted for virtually all of the volume of closed contracts in 2022, 99.5% to be precise.

**Herfindahl-Hirschman index and the share of the five (CR5) and ten (CR10) largest balance groups in recorded closed contracts from 2019 to 2022**

YEAR	2019	2020	2021	2022
HHI	2,850	3,155	2,842	2,847
CR5	91.4%	92.3%	95.0%	97.2%
CR10	95.9%	98.0%	99.1%	99.5%

### ELECTRICITY TRANSMISSION AT THE BORDERS OF THE SLOVENIAN REGULATORY AREA

The net exchange of electricity at the borders of the Slovenian regulatory area (excluding the export of electricity from the Croatian part of the Krško Nuclear Power Plant (hereinafter: NPP) and the import of electricity for domestic use) in 2022 amounted to 4,153 GWh, which means that Slovenia was a net importer of electricity in 2022 as well. Net imports are up by just under 69%

compared to 2,462 GWh in 2021. The increase in net imports is mainly due to lower production in 2022, which was 17% lower excluding the production of the Croatian part of the NPP. The largest drop is observed in the recorded operational forecast of hydroelectric generation, which was 30% lower in 2022 compared to 2021 due to low water levels.

**Total electricity imports and exports at the borders of the Slovenian regulatory area in 2022**

MONTH	EXPORTS EXCLUDING NPP (MWh)	EXPORTS (MWh)	IMPORTS EXCLUDING NPP (MWh)	IMPORTS (MWh)	NET POSITION (MWh)	NET POSITION EXCLUDING NPP (MWh)
January	561,476.100	815,820.100	950,940.88	950,940.875	-135,120.775	-389,464.775
February	540,118.475	771,936.475	909,796.93	909,796.925	-137,860.450	-369,678.450
March	601,581.500	856,441.500	923,221.30	923,236.300	-66,794.800	-321,639.800
April	593,786.625	841,357.625	882,977.50	882,977.500	-41,619.875	-289,190.875
May	549,210.175	803,468.175	767,796.08	767,802.075	35,666.100	-218,585.900
June	508,720.425	749,860.425	748,843.23	748,952.625	907,800	-240,122.800
July	518,900.100	763,251.100	817,415.75	817,454.750	-54,203.650	-298,515.650
August	425,375.400	667,902.400	677,495.93	677,495.925	-9,593.525	-252,120.525
September	514,303.075	756,529.075	804,877.33	804,932.325	-48,403.250	-290,574.250
October	563,274.375	563,490.375	1,123,217.90	1,123,217.900	-559,727.525	-559,943.525
November	507,070.400	687,642.400	1,085,523.25	1,086,350.250	-398,707.850	-578,452.850
December	631,552.225	891,213.225	976,592.48	976,649.475	-85,436.250	-345,040.250
<b>Total</b>	<b>6,515,368.875</b>	<b>9,168,912.875</b>	<b>10,668,698.525</b>	<b>10,669,806.925</b>	<b>-1,500,894.050</b>	<b>-4,153,329.650</b>

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The electricity exports (excluding electricity generated from the Croatian part of the NPP) were 2.6% lower compared to 2021, at 6,515 GWh, while imports (excluding electricity destined for the Croatian part of the NPP) were 16.5% higher over the same period, at 10,668 GWh.

The exports on the Austrian border were down by just over 35% compared to 2021, at 651 GWh, while imports were up by 24% at 5,232 GWh. On the Croatian border, the exports (including the output of the Croatian part of the NPP) were 13% lower than in 2021, at 3,903 GWh. The imports were 25% lower in the same period, at 3,253 GWh. On the Italian border, the exports in 2022 were up by just under 6% compared to 2021, while the amount of electricity imported in the same period amounted to 1,046 GWh and was up by more than 83% compared to the previous year.

At the Hungarian border, which is connected to Slovenia from June 2022, the imports amounted to 1,138 GWh, while the exports totalled 459 GWh.

The table below shows the recorded closed contracts by border for electricity imports and exports in 2022.

**Other activities related to the process of recording closed contracts and operational forecasts**

In June 2022, the Hungarian-Slovenian border was integrated into Borzen's applications and the necessary changes (including in the protocols) were made for the implementation of the CORE project (extension of market coupling).

In 2022, simulations were regularly carried out through a dedicated application that allows the receipt of closed contracts and operational forecasts and the preparation of output files that are sent daily to the Slovenian system operator ELES. It is intended to be used in case of unforeseen events that would prevent the registration of closed contracts and operational forecasts by the members of the Balance Scheme. In this context, a simulation of the technical problems in the process of registering closed contracts and operational forecasts was also successfully carried out, involving also the members of the Balance Scheme.

A security upgrade of the application for the recording of closed contracts and operational forecasts was carried out following the security guidelines.

Recorded closed contracts by border for electricity imports and exports in 2022 in MWh

BORDER MONTH	AUSTRIA		ITALY		CROATIA		HUNGARY	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
January	495,861.375	65,495.000	73,786.800	383,038.900	381,292.700	367,286.200		
February	575,532.525	10,958.675	73,146.300	363,835.300	261,118.100	397,142.500		
March	404,838.500	80,786.000	70,447.800	427,803.000	447,950.000	347,852.500		
April	395,230.400	68,429.025	25,239.800	432,285.800	462,507.300	340,642.800		
May	503,237.875	17,874.475	36,479.500	388,346.300	228,084.700	397,247.400		
June	413,865.625	19,116.625	60,759.000	348,590.400	214,685.600	339,678.900	59,642.400	42,474.500
July	367,744.650	42,138.875	21,118.300	368,487.900	249,068.200	316,468.400	179,523.600	36,155.925
August	276,306.525	61,958.175	111,882.400	187,444.500	139,014.500	336,329.300	150,292.500	82,170.425
September	420,048.025	33,023.325	87,672.400	317,214.100	150,250.900	328,534.500	146,961.000	77,757.150
October	668,164.350	25,511.425	181,768.000	308,484.100	86,088.900	144,247.800	187,196.650	85,247.050
November	468,880.200	65,298.550	165,917.300	295,760.600	248,972.800	267,124.000	202,579.950	59,459.250
December	242,763.450	160,662.400	137,885.500	334,719.800	383,871.000	320,423.500	212,129.525	75,407.525
<b>Total</b>	<b>5,232,473.500</b>	<b>651,252.550</b>	<b>1,046,103.100</b>	<b>4,156,010.700</b>	<b>3,252,904.700</b>	<b>3,902,977.800</b>	<b>1,138,325.625</b>	<b>458,671.82</b>

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### Imbalance settlement

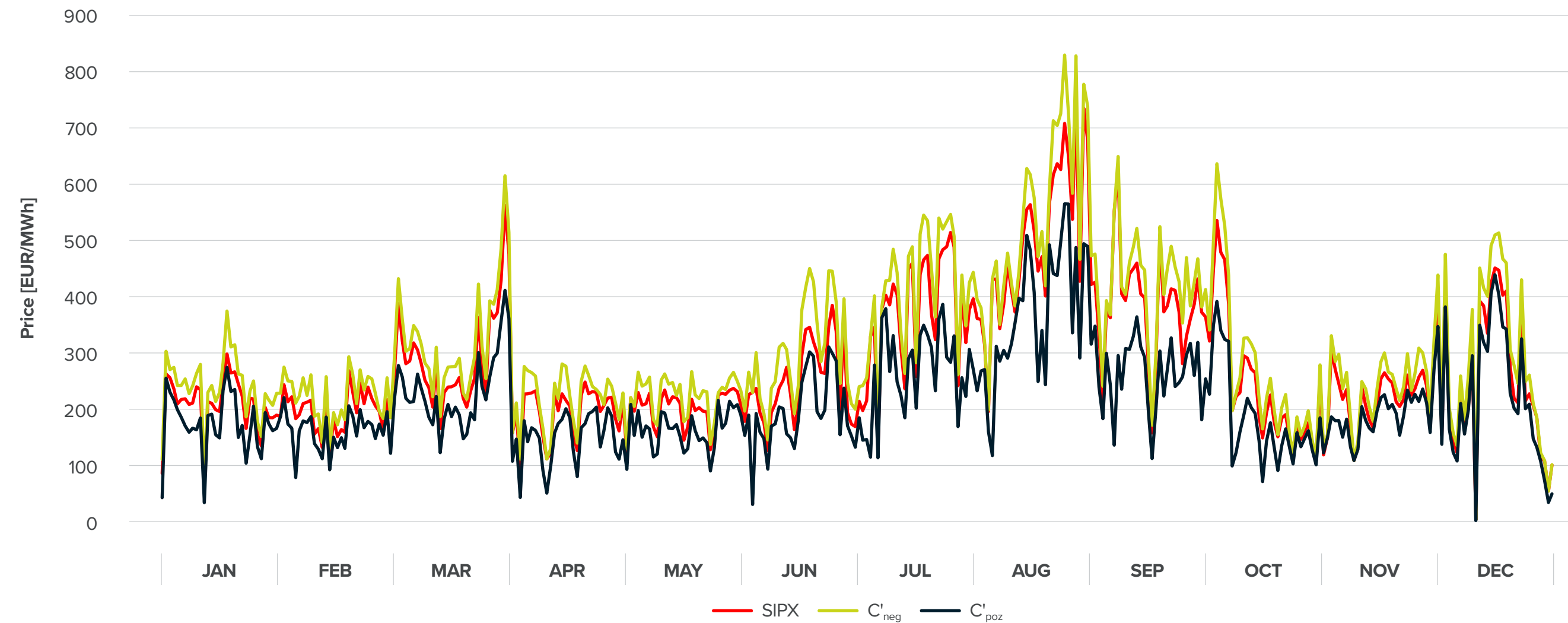
In the context of the imbalance settlement, 2022 was marked by exceptionally high market prices. The latter were reflected in the above-average imbalance prices. On average, these were 235% higher throughout the year compared to 2021. However, compared to 2020, which was marked by a pandemic and a price level shift to the other extreme, the imbalance prices in 2022 were higher by more than 700%.

The higher imbalance prices did not have a significant impact on the level of the balance groups imbalances, which were only slightly higher compared to the previous year. The latter is due to the considerable uncertainty related to the level of electricity consumption due to the effects of the “energy” crisis, also related to the war in Ukraine, and the additional impact of the challenging meteorological, mainly hydrological, conditions during 2022.

Special developments in 2022 also include the first implementation and issuance of the third imbalance settlement. For the month of June 2022, the System Operator received the cost settlement data for the International Grid Control Cooperation instrument (hereinafter: IGCC) with a considerable delay. Therefore, following the decision of the Energy Agency, the market operator issued the third imbalance settlement for June in December, together with the first imbalance settlement for November and the second imbalance settlement for October, on the basis of the new balancing data.

In 2022, the highest total monthly positive imbalances (energy surplus) of the balance groups were recorded in December, amounting to 37,513 MWh. The highest total monthly negative imbalances (energy deficit) of the balance groups were recorded

Average daily values of the derived prices of the C'poz and C'neg imbalances and the SIPX index in 2022



in January, amounting to 24,104 MWh. The average monthly imbalances (positive and negative combined) of the balance groups in 2022 amounted to 42,899 MWh, which is on average almost 7% higher than the monthly average in 2021.

The figure above shows the average daily values of the imbalance prices and the SIPX index in 2022. During this period, the average monthly values of the C'neg imbalance prices (short position) ranged from EUR 215.38 per MWh in April to EUR 538.37 per MWh in August. The prices for positive imbalances C'poz (long position) ranged from EUR 145.83 per MWh in April to EUR 372.93 per

MWh in August. The largest difference between C'neg and C'poz was expected to be recorded in August (EUR 165.44 per MWh) and the lowest in November (EUR 50.14 per MWh). The average difference between C'neg and C'poz in 2022 was EUR 92.72 per MWh, while the average difference in 2021 totalled EUR 48.86 per MWh. It should also be noted that the average monthly SIPX index in 2022 was as high as EUR 273.72 per MWh, while in 2021 it amounted to EUR 114.60 per MWh. This remarkable jump is, of course, the result of the energy crisis, which, although it has been ongoing since the second half of 2021, has taken on a whole new dimension following the Russian aggression against Ukraine in February 2022.

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The average value of the derived (adjusted) price for negative  $C'_{neg}$  imbalances in 2022 was EUR 307.16 per MWh and for positive  $C'_{poz}$  imbalances EUR 214.23 per MWh. The highest value of the  $C'_{neg}$  price during this period was EUR 1,148.27 per MWh and the lowest value of the  $C'_{poz}$  price during this period equalled EUR 879.29 per MWh. The lowest value of the  $C'_{neg}$  price during the period was EUR 0.00 per MWh and the lowest value of the  $C'_{poz}$  price during this period was EUR -431.42 per MWh.

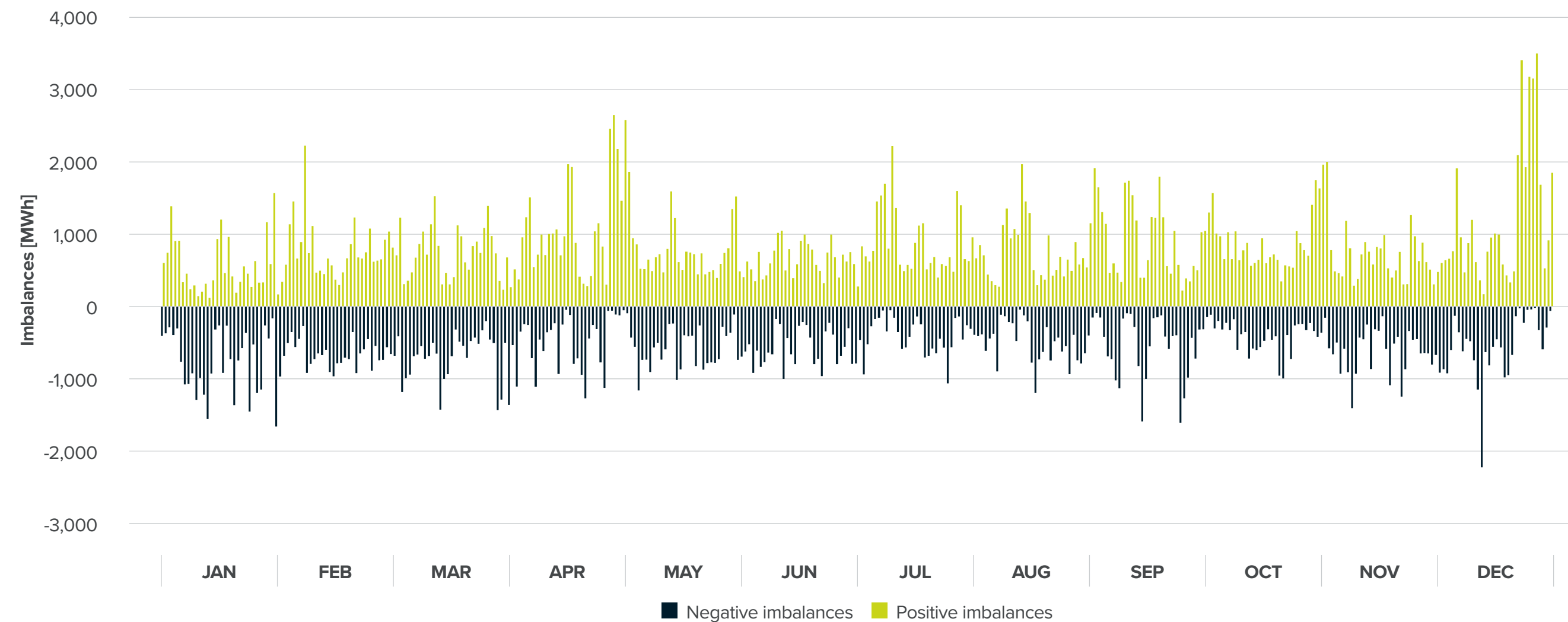
To calculate the prices for positive and negative imbalances, we use the costs and volumes incurred for balancing the electricity system in Slovenia. The balancing of the electricity system is the result of imbalances of electricity market participants from their forecasts. The figure below shows the total daily sum of positive and negative imbalances of all balance groups in Slovenia in 2022.

The imbalances in the negative direction represent a deficit of electricity in the power system, while the imbalances in the positive direction represent a surplus of electricity in the Slovenian power system. The high positive imbalances observed in December are largely due to the regulation of taking into account surpluses from self-supply power plants in the December imbalance settlement. The latter is changing with the entry into force of the new Rules on the Operation of the Electricity Market, which entered into force on 1 January 2023. It is expected that the surpluses from these power plants will be accounted for in the annual calculation of the imbalance settlement.

Average, highest and lowest values of  $C'_{neg}$ ,  $C'_{poz}$  and SIPX in 2021 and 2022

	2022 [EUR/MWh]			2021 [EUR/MWh]		
	$C'_{neg}$	$C'_{poz}$	SIPX	$C'_{neg}$	$C'_{poz}$	SIPX
Average value	307.16	214.23	274.46	135.49	86.47	115.04
Highest value	1,148.27	879.29	879.29	724.86	533.19	533.19
Lowest value	0.00	-431.42	0.00	-41.72	-70.94	-66.18

Sum of daily imbalances of the Slovenian network in 2022

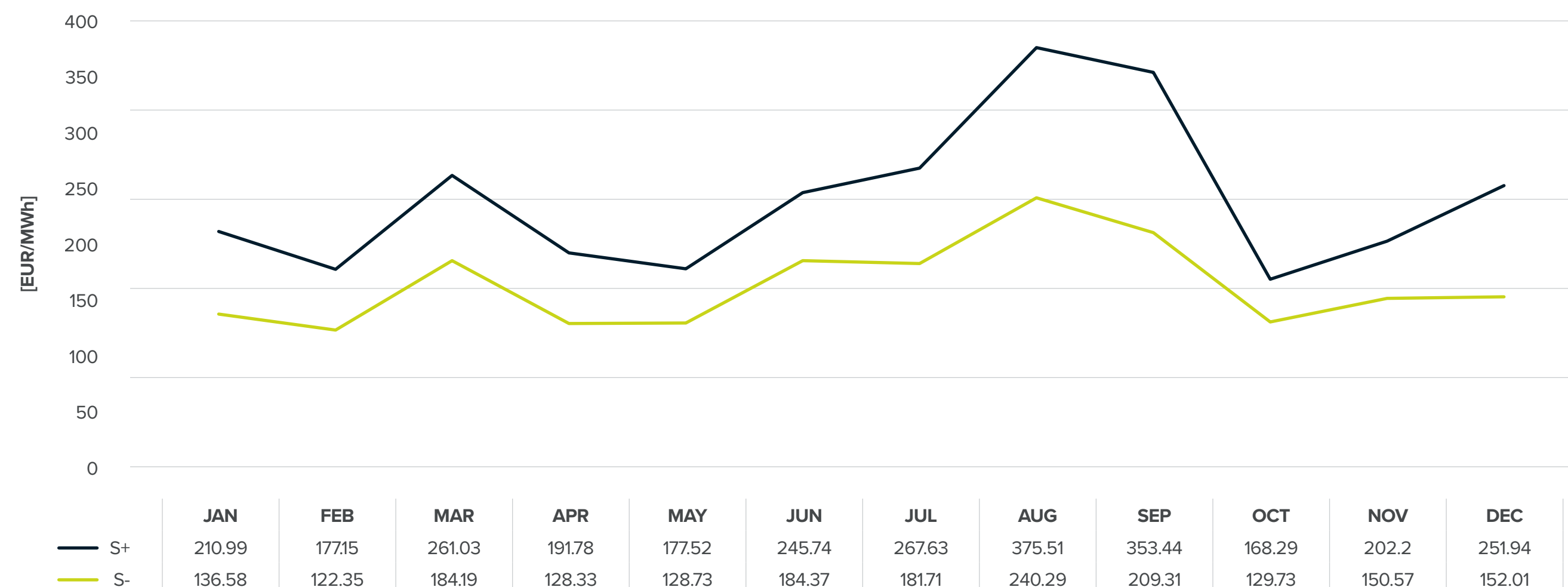


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Balancing energy for balancing positive and negative imbalances in the Slovenian power system is provided by the Slovenian system operator ELES. In 2022, the amount of energy consumed for balancing negative imbalances totalled 238 GWh and for balancing positive imbalances 326 GWh. The figure below shows the average hourly prices for balancing the power system, calculated from all costs and balancing volumes. S+ represents the prices for short position settlement (purchase of energy) and S- represents the prices for long position settlement (sale of energy). The quantities take into account all types of regulation, i.e. FRR (frequency restoration reserve), aFRR (automatic frequency restoration reserve or “secondary regulation”), mFRR (manual frequency restoration reserve or “tertiary regulation”), RR (replacement reserve, which also includes a balancing market), FSkar (cross-border imbalances) and energy from the IGCC mechanism or other balancing in accordance with Article 87 of the Rules on the Operation of the Electricity Market applicable in 2022.

Average monthly values of regulation costs (S+ and S-) in 2022



The movement in average balancing prices by month coincides with the trend in prices for positive and negative imbalances. The table shows the average balancing prices by month in 2022 and the comparison with 2021. It is clear that the average balancing prices in 2022 were significantly higher than in 2021. In 2022, the relative spread between the average prices for positive and negative imbalances has increased further and more substantially compared to 2021, which is of course understandable given the drastic increase in price levels.

Average hourly balancing prices (S+ and S-) by month in 2021 and 2022

MONTH	2022		2021	
	S+	S-	S+	S-
January	210.99	136.58	59.46	32.11
February	177.15	122.35	56.55	40.12
March	261.03	184.19	65.37	39.43
April	191.78	128.33	83.76	28.36
May	177.52	128.73	92.25	27.53
June	245.74	184.37	97.38	50.59
July	267.63	181.71	87.44	50.27
August	375.51	240.29	97.37	48.95
September	353.44	209.31	133.35	75.39
October	168.29	129.73	239.16	169.76
November	202.20	150.57	209.14	139.31
December	251.94	152.01	240.76	166.73

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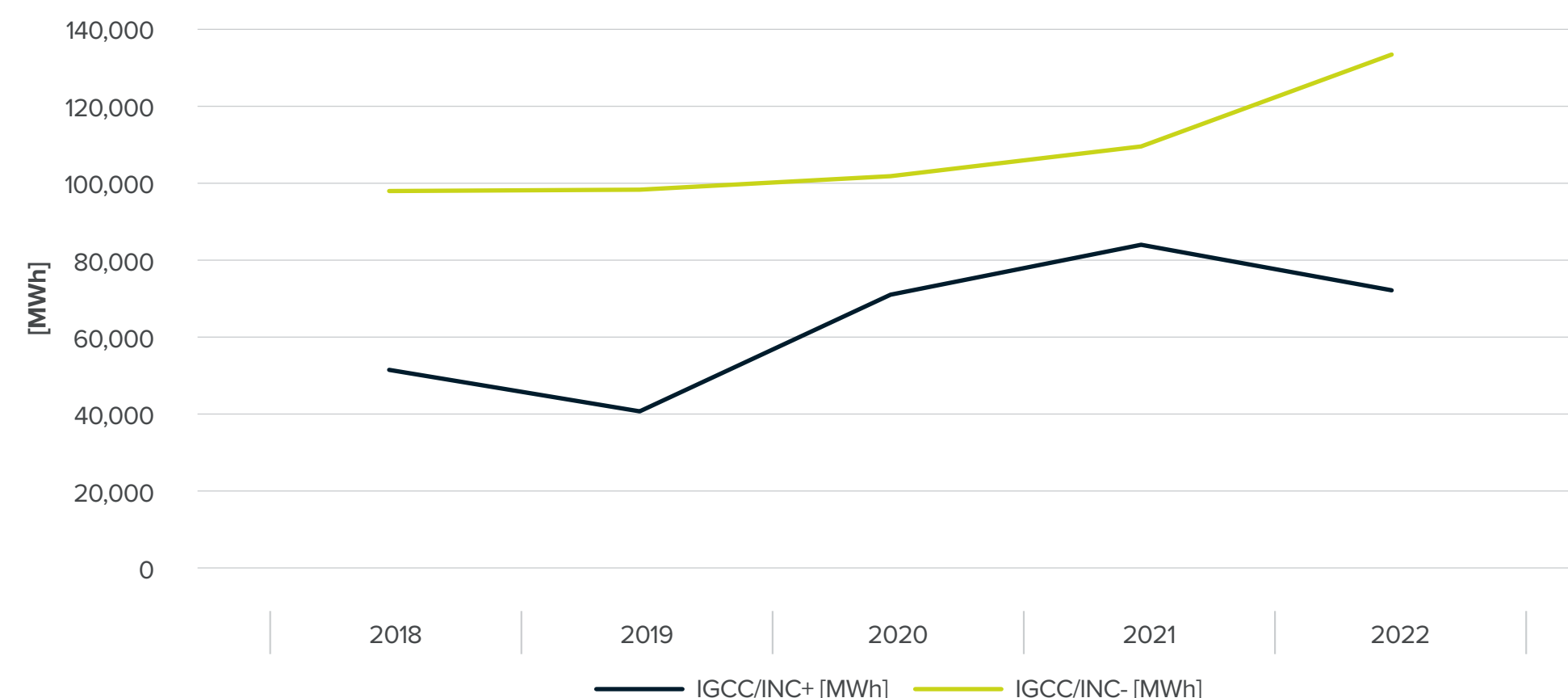
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In February 2019, ELES joined the International Grid Control Cooperation (IGCC) mechanism, which replaced the previous Imbalance Netting Cooperation (INC) mechanism. The figure shows the values of cross-border cooperation on imbalance netting for the period from 2018 onwards. The dark blue graph shows the quantities from the intervals when the Slovenian power system was in a deficit and the IGCC/INC+ function was activated, while the green graph shows the sum of the quantities from the intervals when the Slovenian power system was in a surplus and the IGCC/INC- function was activated.

IGCC/INC volumes in MWh from 2018 to 2022



The following table provides a more detailed overview of the monthly data on the total positive and negative imbalances of the balance groups (BG) in 2021 and 2022.

Positive and negative imbalances of the Slovenian balance groups in 2021 and 2022

MONTH	2022		2021	
	TOTAL NEGATIVE BG IMBALANCES [MWh]	TOTAL POSITIVE BG IMBALANCES [MWh]	TOTAL NEGATIVE BG IMBALANCES [MWh]	TOTAL POSITIVE BG IMBALANCES [MWh]
January	24,104	17,526	19,707	30,116
February	18,984	21,679	13,182	25,279
March	21,742	23,639	19,343	18,599
April	16,464	30,093	30,872	15,444
May	17,030	26,712	21,736	21,160
June	17,363	19,474	20,032	15,974
July	13,615	26,944	16,286	18,803
August	15,415	23,189	13,888	26,761
September	17,065	27,798	14,948	19,230
October	12,787	27,164	23,267	18,144
November	18,614	22,272	24,094	16,104
December	17,596	37,513	19,441	20,383
<b>Total</b>	<b>210,779</b>	<b>304,004</b>	<b>236,797</b>	<b>245,997</b>

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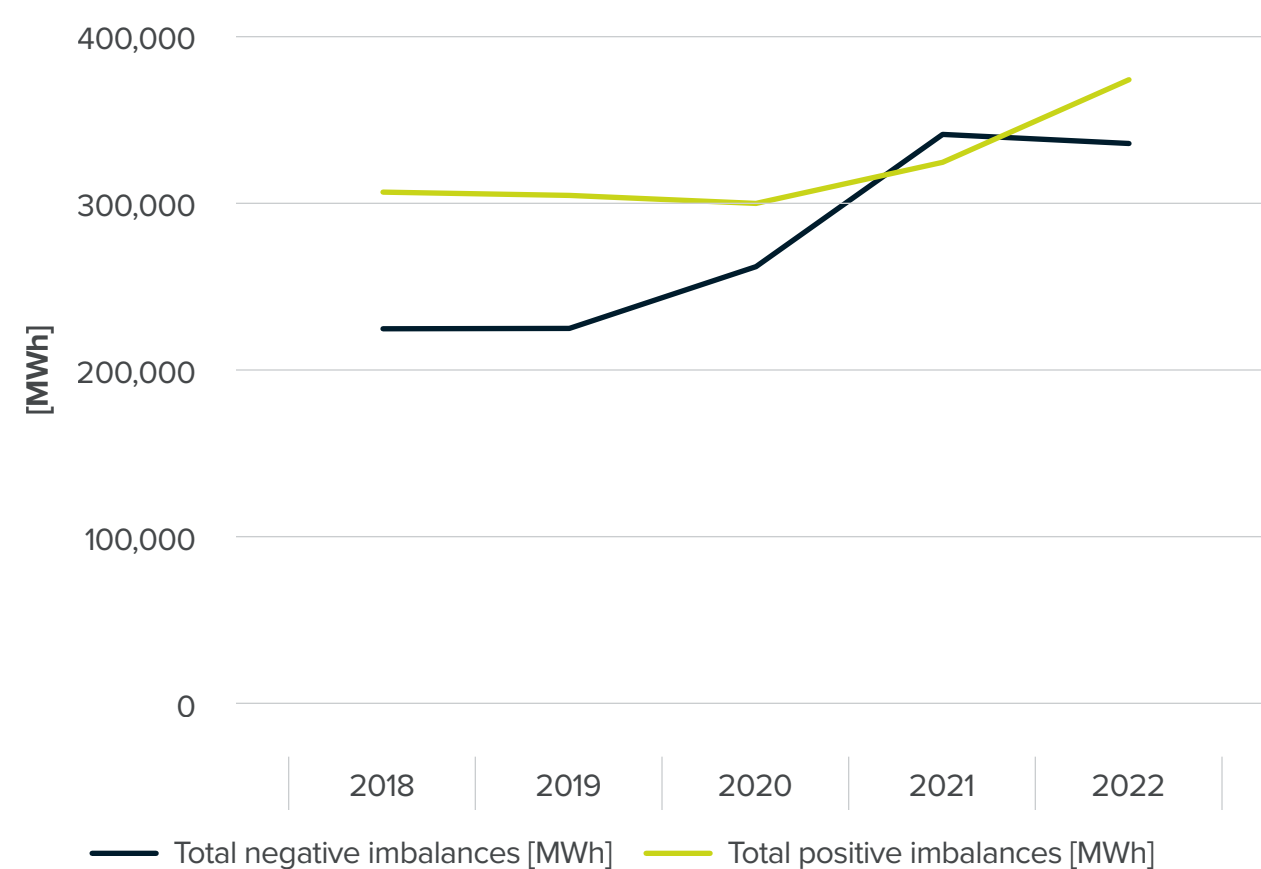
The table below shows the annual amounts of positive and negative imbalances for all balance groups, including imbalances at the borders of the Slovenian regulatory area, from 2018 onwards.

**Total positive and negative imbalances from 2018 to 2022**

YEAR	TOTAL NEGATIVE IMBALANCES (MWh)	TOTAL POSITIVE IMBALANCES (MWh)
2018	224,905	306,999
2019	225,191	305,042
2020	262,243	300,190
2021	341,339	324,665
2022	335,860	374,111

Based on the data in the table above, we can observe that the sum of the positive imbalances in 2022 has increased significantly, while the sum of the negative imbalances has decreased slightly. Positive imbalances are higher by almost 50 GWh and negative imbalances are lower by almost 5 GWh.

**Total positive and negative imbalances from 2018 to 2022**



### Annual recalculation

As the analytical procedure is used in the imbalance settlement to determine the realisation of the delivery points without 15-minute imbalance settlement period, their consumption during the year is estimated on the basis of the residual consumption of the distribution area. Differences arising between the quantities obtained on the basis of the analytical procedure and the quantities actually realised shall be settled in the context of the annual recalculation, which is carried out after the completion of all imbalance settlements.

The annual recalculation of the 2021 imbalance settlement was finalised in April 2022. The rebalancing of the differences between the balance groups was carried out on the basis of the identified quantity differences and the annual average of  $C'_{neg}$  and  $C'_{poz}$ . The latter amounted to EUR 110.98 per MWh in 2021. Just over 195 GWh of electricity were reallocated in the annual recalculation for the year 2021, amounting to a total of EUR 21.70 million (net).

### Balance Scheme

The electricity market is hierarchically organised into a Balance Scheme. Any legal or natural person who wants to actively operate on the Slovenian electricity market must become a member of the Balance Scheme. The membership and structure of the Balance Scheme are determined by the balancing agreements concluded with the market operator and the balancing agreements concluded with the members of the Balance Scheme. The market operator, which is the apex of the Balance Scheme, ensures the supply of balancing energy to the balance groups through the balancing agreements. The physical balancing of the electricity system is carried out by the system operator. The market operator shall keep a record of the balancing system membership agreements, keep it up-to-date and publish it publicly on its website. It is the market operator's task to thoroughly check new and monitor existing members of the Balance Scheme. For this purpose, Borzen has established a systematic monitoring of the members of the Balance Scheme, which is carried out periodically. Member

monitoring measures relate to the verification of financial statements, the review of registers and other measures relevant to ensuring the security of trading of electricity market participants and of the market as a whole. Part of the process of managing the Balance Scheme is the ongoing adjustment of financial coverages, which is intertwined with the activity of imbalance settlement and the recording of closed contracts and operational forecasts. In particular, the market operator monitors on a daily basis the quantitative values of the imbalances occurring at the time of the reporting of closed contracts and operational forecasts, on the basis of which it calculates the exposure of the financial settlement participant and thus adjusts the value of the variable financial guarantee for each balance group.

The year 2022 was a much more dynamic year compared to 2021, with four companies joining the Balance Scheme in 2022, while twelve companies left the Balance Scheme. Of the members that left the scheme in 2022, half had supplier status. The exit of suppliers and other members can be mainly attributed to the tightened conditions on the wholesale electricity markets in the EU and, consequently, also in Slovenia. In 2022, the market operator terminated the balancing agreement with two companies, which lost their status as the balance group responsible party. As a consequence of the termination of the balancing agreement, the membership of three other companies included in their balance group was terminated and they lost the status of the balance subgroup responsible parties. In 2022, two transitions took place where two balance subgroups entered into another balance group and thus retained the status of the balance subgroup responsible party in the other balance group. Seven companies have renewed their balancing agreement and thus retained their membership in the Balance Scheme as the balance subgroup responsible party. Unlike in previous years, in 2022 we received a large number of enquiries from small electricity producers to join the Balance Scheme, which did not result in the establishment of a balance group or subgroup. Among the reasons for the increased demand, which the producers cited themselves, was the inability to obtain offers on the purchase of electricity from suppliers.

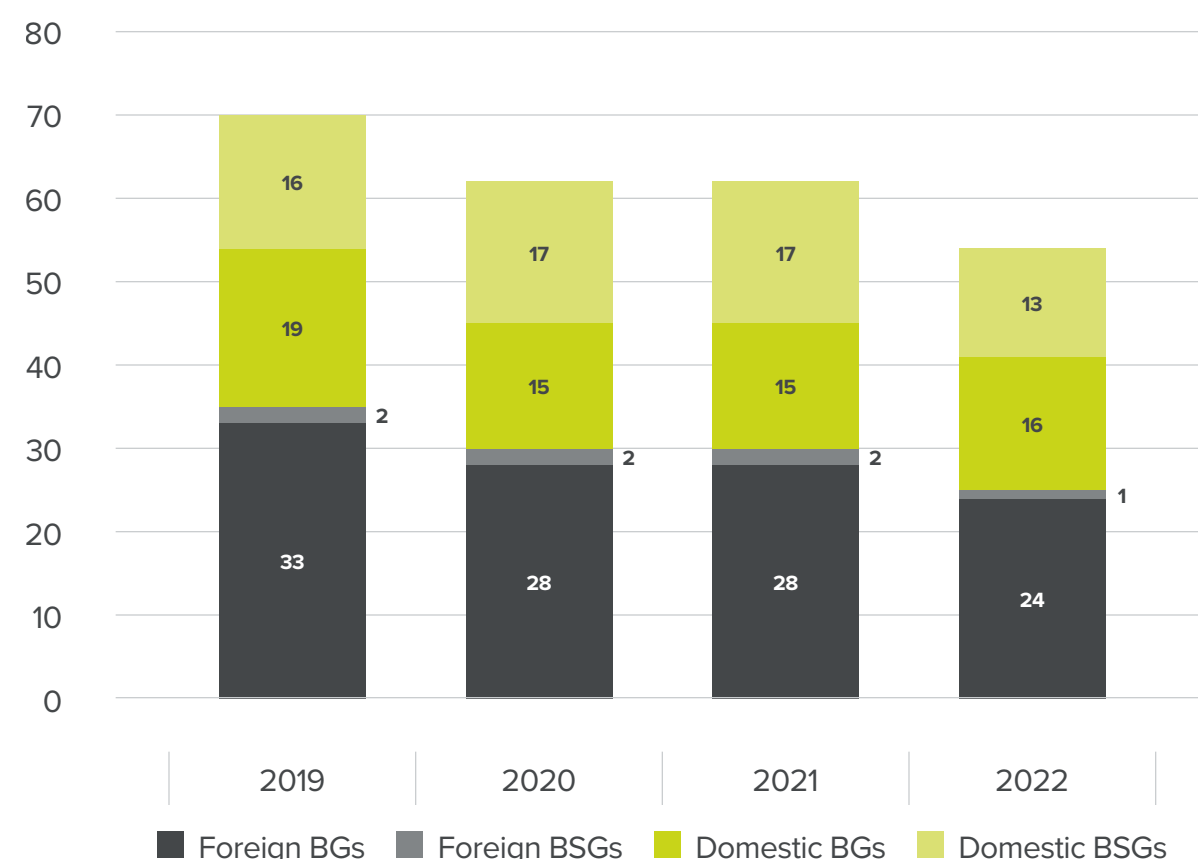
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As at 31 December 2022, a total of 40 balance groups (16 domestic and 24 foreign companies) and 14 balance subgroups (13 domestic and 1 foreign company) were registered in the Republic of Slovenia. The total number of members in the Balance Scheme at the end of 2022 totalled 54 members, which represents the lowest number since 2008.

**Number of foreign and domestic balance groups (BG) and balance subgroups (BSG) in 2019-2022**



The Market Operator Portal, which was launched in 2021, provides an advanced online service to the members of the Balance Scheme in relation to the tasks performed by the Market Operator. The portal allows, among other things, the members of the Balance Scheme to access data and reports related to the imbalance settlement process and provide comments on the imbalance settlement. Over 130 different requests and submissions were submitted through the portal in 2022.

The portal also has a publicly accessible part where comprehensive data on the Slovenian electricity market is available, including:

- imbalance prices,
- volumes and balancing costs,
- the residual consumption diagram,
- loss factors in distribution areas,
- data from the balancing energy market operator platform,
- overview of the Balance Scheme members etc.

### Financial settlement of the imbalance settlement

Borzen, in its role as a clearing agent, performs the settlement of financial claims and liabilities of financial settlement participants and settles the liabilities and claims arising from the imbalance settlement. The subject of the financial settlement are the imbalance settlements of the individual balance group in a certain period of time.

The following presents the value figures resulting from the financial settlement of the 2022 imbalance settlement compared to the 2021 figures.

**Value review of the imbalance settlement for 2021 and 2022**

	2021			2022		
	IMBALANCE SETTLEMENT	BALANCING COSTS	SURPLUS	IMBALANCE SETTLEMENT	BALANCING COSTS	SURPLUS
January	651,582	-510,175	141,407	4,292,953	-4,058,997	233,956
February	315,032	-230,810	84,222	1,872,873	-1,429,277	443,596
March	846,471	-731,656	114,815	3,928,365	-2,850,554	1,077,811
April	2,649,239	-2,334,864	314,375	958,718	-286,821	671,897
May	1,683,641	-1,561,784	121,857	764,480	-225,312	539,168
June	1,476,727	-1,317,209	159,518	2,033,262	-1,756,523	276,739
July	1,047,803	-900,659	147,144	238,891	564,400	803,291
August	983,622	-742,790	240,832	3,247,714	-1,807,290	1,440,424
September	1,696,405	-1,447,222	249,183	3,432,524	-2,413,421	1,019,103
October	3,509,002	-3,143,071	365,931	253,311	381,126	634,436
November	4,509,137	-4,122,766	386,371	1,645,175	-1,145,327	499,848
December	3,719,461	-2,876,542	842,919	1,910,366	-1,068,013	842,354
<b>Total</b>	<b>23,088,122</b>	<b>-19,919,548</b>	<b>3,168,574</b>	<b>24,578,632</b>	<b>-16,096,009</b>	<b>8,482,623</b>
Interest on arrears:			118			321
Outstanding past-due liabilities arising from the imbalance settlement:						-485,105
<b>Surplus of previous years' imbalance settlement:</b>			<b>1,050,799</b>			<b>4,219,491</b>
<b>The total surplus of the imbalance settlement:</b>			<b>4,219,491</b>			<b>12,217,331</b>

Value in EUR excl. VAT

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The imbalance settlement item represents the net value of the final imbalance settlement of the balance groups by individual months. The balancing costs or revenues are generated by the purchase or sale of electricity for the purpose of balancing the imbalances of the Slovenian electricity system. The financial settlement of the imbalance costs is carried out between the system operator and the market operator. Negative values represent an outflow for Borzen and positive value represent an inflow.

Excess revenue over expenditure in the imbalance settlement account is used to manage the risk of default or delinquency and is held in a special account for the management of the imbalance settlement surpluses. The amount of the imbalance settlement surplus for 2022 was EUR 8.48 million. There were no payments of the imbalance settlement surplus to the financial settlement participants in 2022. As from 2022, the Market Operator has a total of EUR 485,000 of unpaid accrued liabilities due to a company whose balancing agreement has been terminated by the Market Operator, including recovery costs, which are charged to the imbalance settlement surplus.

The total imbalance settlement surplus at the end of 2022 amounts to EUR 12.2 million and includes the total surplus from 2022, accrued interest in 2022, deducted unpaid imbalance settlement liabilities in 2022 and the unpaid part of the imbalance settlement surplus of previous years.

### Balancing energy market operator platform

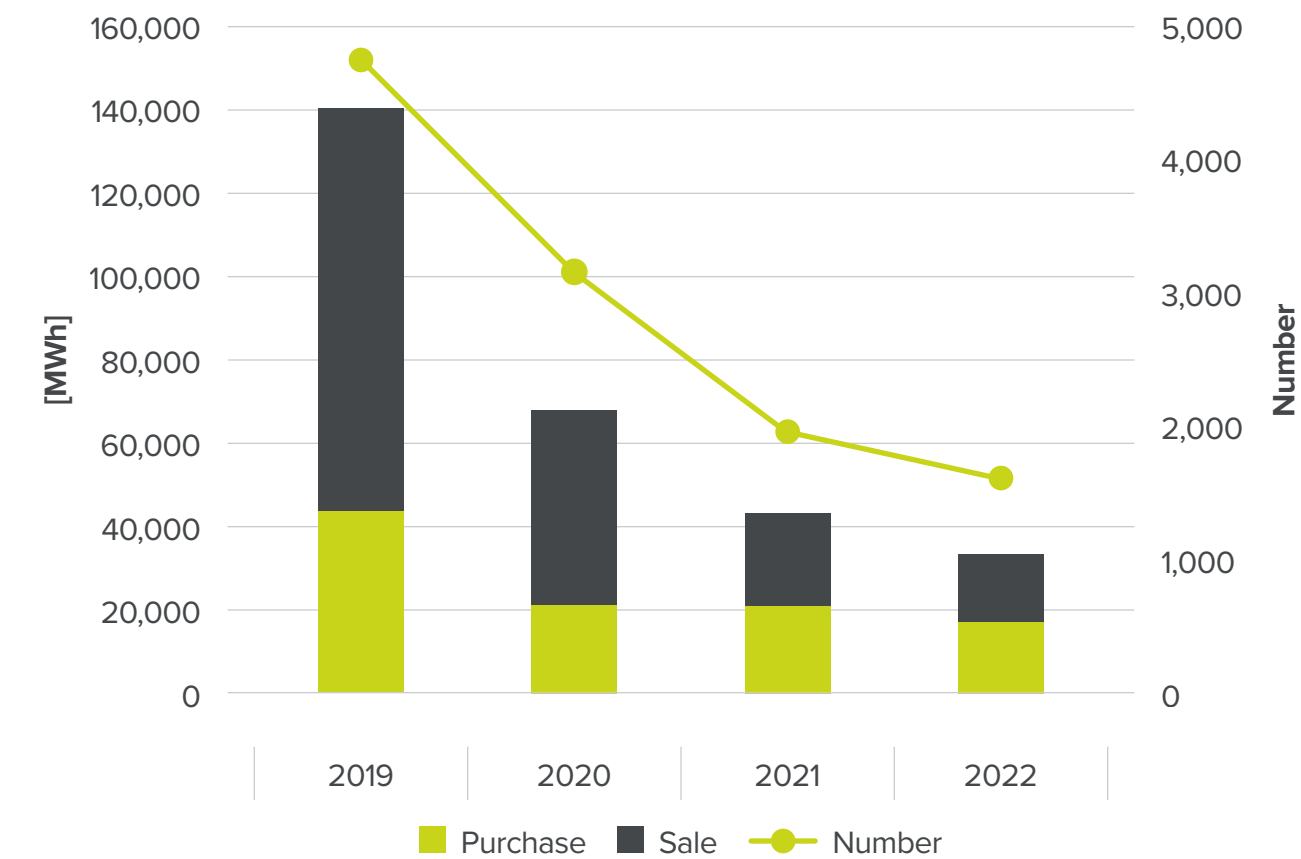
The balancing energy market operator's platform is an organised form of collecting and engaging bids for the sale and purchase of balancing energy with the aim of balancing power system imbalances in a transparent and economically efficient manner.

In 2022, **1,605 transactions** were concluded for a total volume of **33.2 GWh**, of which **17 GWh** were **purchases** of electricity and **16.2 GWh** were **sales** of electricity by the TSO. Hourly products accounted for the largest volume of trades, totalling **29.1 GWh**, and the largest number of trades, 1,094. In the same period, another 511 deals were concluded with 15-minute products for a total volume of **4.1 GWh**.

The highest price for the purchase of balancing energy in 2022 was **EUR 850 per MWh** and the lowest price for the sale of balancing energy was **EUR -10 per MWh**. In addition to the system operator, three members of the balancing energy market operator platform were involved in the transactions. At the end of 2022, the platform had 29 members.

Since 2019, the platform has seen a steady decline in the number and volume of trades. The biggest drop was recorded in 2020, when, compared to the same period of the previous year, the volume of recorded trades decreased by almost 52% and the number of recorded trades decreased by more than 33%. The more significant drop in the volume of trades in the balancing market in 2020 was expected and is related to the Single Intra-day Coupling (SIDC, formerly known as the XBID project), which was successfully extended to Slovenia and six other countries as of 19 November 2019. Trading volumes in intra-day trading have increased significantly and, as a consequence, the system operator has a wider range of options to balance the system. In 2022, the volume of traded transactions decreased by an additional 23% and the number of recorded transactions by 18% compared to 2021. Despite the fact that trading on the platform takes place from 1 hour to just before delivery, the volume of recorded transactions on the platform decreased significantly due to increased liquidity and more favourable prices in the intra-day trading segment.

Volume and number of trades executed on the balancing energy market operator's platform by year

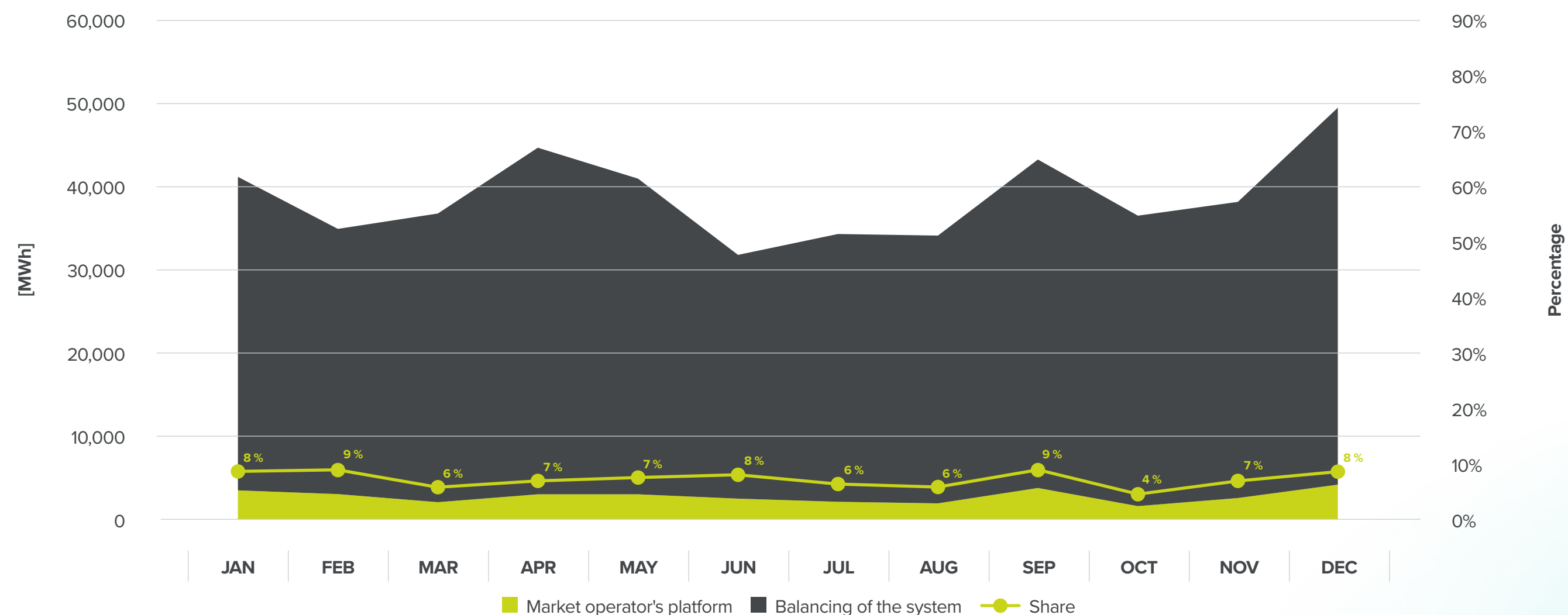


The share of volumes traded on the platform in 2022 represented 7.1% of the total balancing of the system, which is 1.5 percentage points lower than in 2021, when the share of trades recorded on the platform in the total balancing of the system was 8.6%. The highest share of trades executed on the platform on a monthly basis was 8.7% in September, while the lowest share was 4.3% in October. In 2022, the share of the volumes of transactions concluded on the market operator's platform in the case of upward balancing (buying) was 9.2%, and in the case of downward balancing (selling) the share was 5.8%.

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Share of the volumes transacted on the electricity market operator's platform in the total balancing of the Slovenian electricity system in 2022



Trading on the balancing energy Market Operator's platform is carried out in combination with intra-day trading for one hour after the close of the latter and until physical delivery of the product. During the so-called “balancing market” phase, which lasts from one hour before delivery to just before delivery, 33 GWh were traded in 2022, representing 99% of the total volume traded. In recent years, this percentage has increased from 72% in 2019 to as much as 99% in 2021 and 2022, which means that the system operator is buying or selling electricity immediately before delivery, thus balancing the electricity system more efficiently.

Transactions concluded by trading phase

YEAR	“BALANCING MARKET” PHASE	“INTRA-DAY TRADING” PHASE
2019	72%	28%
2020	98%	2%
2021	99%	1%
2022	99%	1%

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## Ensuring transparency in the operation of the electricity market

### DATA EXCHANGE AND IMBALANCE SETTLEMENT

Data exchange is essential for the proper performance of the market operator's tasks and for the operation of the whole electricity system. Data exchange is an important step towards more reliable and faster transmission of data to the market operator. Borzen is working hard to develop and further strengthen this area, including through participation in associations such as the Energy Market Data Exchange Section (iPET).

For the imbalance settlement purposes, Borzen has been using electronic data exchange to receive data from all five distribution networks since 2015. The introduction of the IBIS++ application has been an important step towards more reliable, faster and more comprehensive data exchange. More advanced standards supporting 15-minute data exchanges have been migrated, the first closed distribution system operator has joined the web-based exchange and others are likely to follow in the future. At the same time, members of the Balance Scheme can also import balancing results in XML format into their own systems via the market operator's portal.

### OTHER ACTIVITIES RELATED TO ENSURING TRANSPARENCY IN THE OPERATION OF THE ELECTRICITY MARKET

#### DATA TRANSMISSION UNDER EUROPEAN REGULATION 543/2013 ("TRANSPARENCY")

Since the end of 2014, Borzen has been providing automated data transmission via web services, because as a market operator, the company is required to provide the system operator with the final imbalance prices on a monthly basis in accordance with the European Regulation 543/2013 (the so-called "Transparency Regulation"). The data provided is published on the European

"ENTSO-E Transparency Platform" in order to increase the transparency of the European energy market.

### ELECTRONIC ACCESS TO THE BALANCE SCHEME RECORDS

For the Energy Agency's purposes, Borzen has established electronic access to the Balance Scheme records, using web-based services. This access allows the Energy Agency to check the information provided by the members of the balancing system when registering as market participants under the REMIT Regulation in an automated way. In 2022, the data exchange was smooth and enabled the verification of market participants in the context of their registration with the Energy Agency. In the future, we aim to integrate information on supplier status into this access, which is also available on our corporate website.

### TRANSMISSION OF THE BALANCING ENERGY PLATFORM DATA TO THE ENERGY AGENCY

In 2018, for the Energy Agency's purposes, Borzen established a system for transmitting data from the balancing energy market operator's platform to the regulator, called REP-AGEN. The system operates according to the principles and standards and notations of the REMIT Regulation and allows the regulator to establish a complete market record (bids, offers, transactions), as other data is already received by the Energy Agency from the Agency for the Cooperation of Energy Regulators (hereinafter: ACER). In 2022, data was transmitted to the Energy Agency on a daily basis.

### PUBLICATION OF ADDITIONAL INFORMATION ON MARKET OPERATIONS

On the market operator's portal, which was established in 2021, Borzen published several sets of data for market participants, with the aim of improving and ensuring transparency in the operation of the electricity market. The set of data, which is also set out in the Rules on the Operation of the Electricity Market and is in practice wider than the requirements, is as follows:

- residual diagram data (related to the distribution of non-measured customers in the imbalance settlement and relevant for new market entrants, as of January 2019, the list also contains the applied the quotient of losses by distribution area),
- the list of suppliers (market members to which the physical delivery points belong, the only information on supplier status since the Slovenian Energy Act abolished licences),
- the calculated values of the base prices  $C_{neg}$ ,  $C_{poz}$ , derived prices  $C'_{neg}$  and  $C'_{poz}$  and the SIPX index,
- more detailed information for the imbalance settlement purposes (total quantities and balancing costs of the automatic frequency restoration reserve, separately according to the direction of balancing, total quantities and balancing costs of the manual frequency restoration reserve, separately according to the direction of balancing, total quantities and balancing costs of the compensation reserve, separately according to the direction of balancing, total quantities and costs from the participation of system operators in the coordinated balancing of regulatory area imbalances, total imbalances of balance groups, possible limitation of prices according to the fifth paragraph of Article 87 of the Rules on the Operation of the Electricity Market),
- the price index of transaction on the balancing energy market operator's platform (aggregated price index and data separately by product),
- aggregated forecast notification of the total amount of electricity production and consumption in the territory of the Republic of Slovenia for the day ahead (received by e-mail after the completion of the registration process) and
- a value overview of the imbalance settlement, showing by month the total value of the imbalance settlement and the total balancing costs of the system operator.

All available data sets are updated on a monthly basis. Due to the specificities of the FSkar balancing, which entered into force in June 2021, we also publish additional data separately in XLS format.

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## CENTRE FOR RES/CHP SUPPORT

### Support system

In accordance with the energy legislation, the Centre for Support is the operational provider of the Support Scheme for environmentally friendly electricity generation. Support schemes are a state aid instrument (subsidy) approved by the European Union, which, through higher feed-in tariffs, enables investments in RES and CHP to be achieved in order to meet national targets concerning the share of use of renewable sources in the final energy consumption.

The Energy Act (EA-1) provides for a call for the integration of generation units that do not comply with the provisions of Article 535 (connection to the system before 22 September 2014). So far, the Energy Agency has carried out 11 public calls.

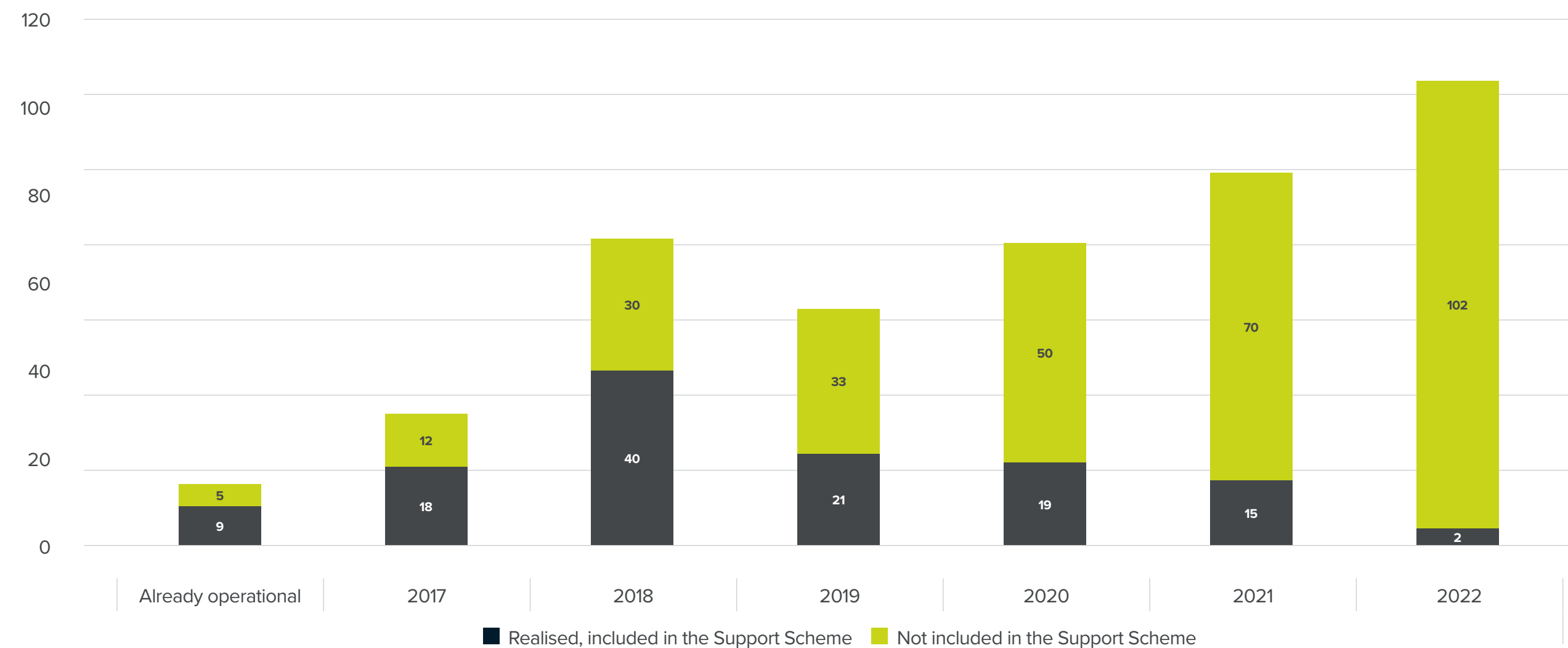
### IMPLEMENTATION OF THE ENTRIES INTO THE SUPPORT SCHEME OF GENERATION UNITS SELECTED IN PUBLIC CALLS

In the 11 closed public calls carried out by the Energy Agency, **553** projects were selected. The theoretical realisation of entries into the Support Scheme by the number of generation units at the end of 2022 was 23%, which means that about one in four projects selected in a public call also entered the Support Scheme, which is a relatively low percentage (described as the theoretical realisation because all the units that participated in every closed

public call are included in the calculation, even if the planned connection of the unit would be introduced by 2025). However, the realisation of generation units, i.e. the realised connection of units in relation to the planned connection up to and including 2022 is 25%, which means that one in four units was connected within the planning period according to the Energy Agency's selection decision.

At the same time, it should be noted that 62 wind projects were also selected through public calls. At the time of drafting this report, not one of these projects had entered the Support Scheme. Most of these projects have a deadline for connection in 2023 and are unlikely to be finalised. The last major wind projects were selected through public calls in 2018. In subsequent public calls, a building permit condition was added to the list of conditions.

**Projects selected in the Energy Agency's public calls by number and number of entries into the Support Scheme (overview by expected year of connection of the power plant)**



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## Key results of the Support Scheme for RES and CHP electricity generation

### POWER PLANTS IN THE SUPPORT SYSTEM

At the end of 2022, **3,718 power plants** with a total nominal capacity of **395 MW** were included in the Support Scheme, representing approximately 10.2% of the total installed capacity in the Republic of Slovenia<sup>11</sup>.

The share of generation units that sell electricity on the market independently under the Support Scheme (and thus receive their support in the form of operating support) was at a similar level as in previous years, i.e. around 71%. The remaining 29% of units receive support in the form of guaranteed purchase, meaning that they receive a support payment from the Centre for Support and a payment for electricity at the same time.

#### Power plants in the support system<sup>12</sup>

POWER PLANT TYPE	POWER (in kW)	NUMBER
Biogas power plants	15,359	22
Hydroelectric power plants	19,626	85
Individual	930	1
Solar power plants	263,649	3,245
CHP fossil fuel power plants	76,735	326
Wind power plants	3,210	2
Wood biomass power plants	15,762.1	37
<b>Total</b>	<b>395,270</b>	<b>3,718</b>

### SUPPORT PAYMENTS

Electricity generation and payments to the generation units in the Support Scheme are significantly lower in 2022 than in the last five years. Support payments as well as generation vary due to changes in the reference market price and new entries and exits from the Support Scheme. The most significant impact is the change in the reference price, where the increase means that many units on operating support fall into the no-support zone and, consequently, do not issue invoices. As a result, the realisation of many units is not recorded, however, the fact is that these devices did not stop their production, but at the expense of the high reference market price, they only issued invoices for the production of electricity to their supplier.

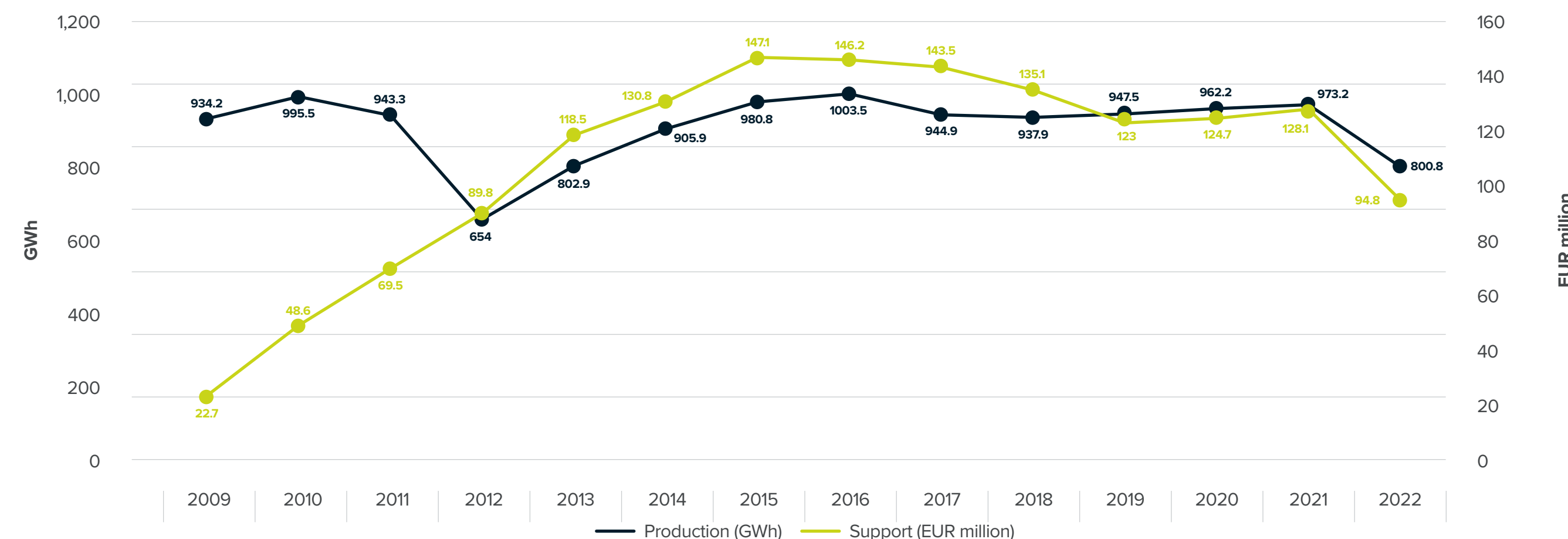
A comparison of support payments and electricity produced under the Support Scheme shows that electricity production in 2022 was 17% lower than in 2021, with 26% fewer payments. As mentioned above, the fall in the production of power plants in the Support Scheme does not necessarily mean that the plants produced less.

In terms of quantity, the generation benefiting from one of the forms of support represents around 5.6% of Slovenia's annual consumption<sup>13</sup>.

#### Support payments in the years 2019 to 2022<sup>14</sup>

YEAR	2019	2020	2021	2022
Electricity generated (in GWh)	947.5	962.2	973.2	800.8
Support paid (EUR million, excluding VAT)	123	124.7	128.1	94.8

#### Production and payments (EUR without VAT) in the years 2009-2022



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<sup>11</sup> According to Energy Agency's data for 2021.

<sup>12</sup> Due to rounding, there may be a discrepancy in the summation. Data as at 31 December 2022.

<sup>13</sup> According to the Energy Agency's data (data for the year 2022 was not yet available at the time of preparation of this annual report), the total consumption of electricity in 2021 amounted to 14,173 GWh.

<sup>14</sup> The data for 2022 are as of 27 March 2022.



In terms of the share of electricity generated, fossil-fuel CHP units (40%) and solar power plants (33%) stand out. The latter also received a good half (55%) of all payments in 2022.

A comparison of the production and payments of the support scheme in 2022 and 2021 is given in the graph below. The bars show the absolute difference in payments between the two years, while the green curve shows the relative change in production in 2022 compared to 2021.

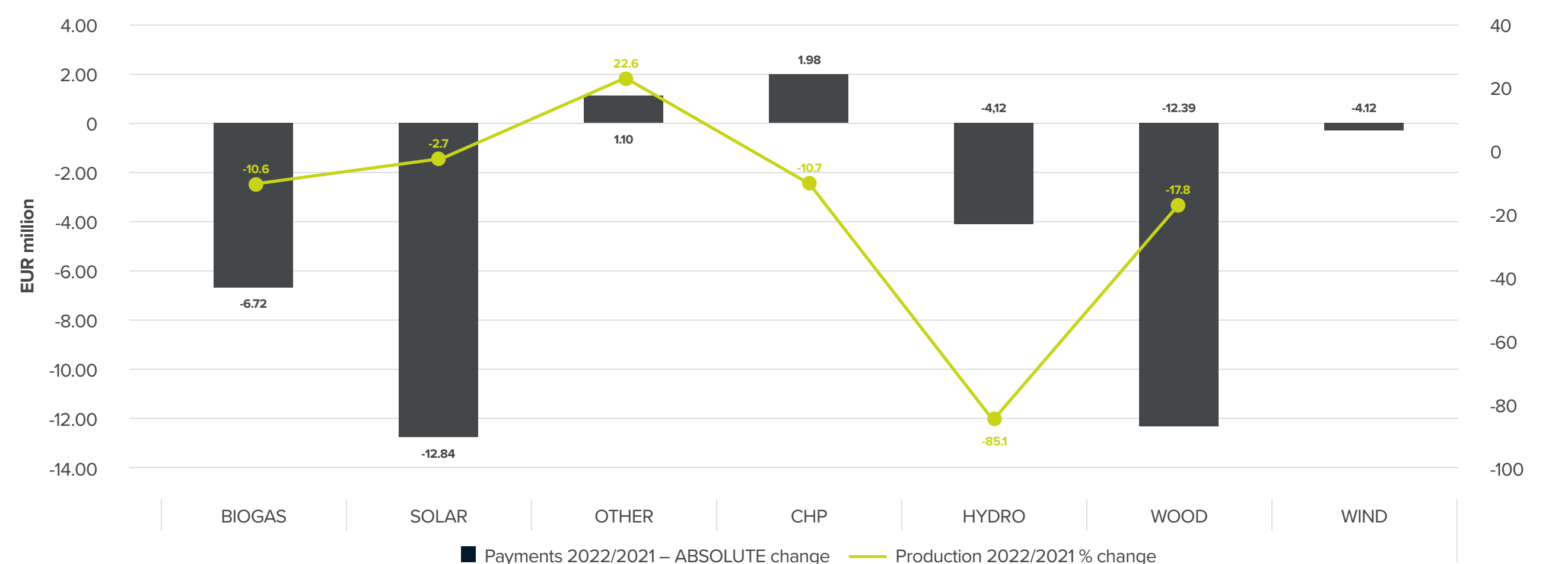
There is a clear trend towards a larger decline in both production and payments of the Support Scheme in 2022 compared to 2021. Positive divergences in payments are only observed for "other" sources and for fossil-fuel CHP units. For both groups, which had higher payments compared to the previous year, the impact of the higher energy price, expressed in variable costs, dominated the calculation of the level of support, compared to the reverse impact of the higher reference market price. However, all other types of power plants in the Support Scheme (where the impact of the increase in the reference market price has therefore prevailed) show a decrease (certain units may also lose support for a particular year) and consequently much lower payments.

The statistics show that the largest drop in payments affected solar power plants (no significant decrease in production) and wood biomass power plants (mainly due to units leaving the Support Scheme due to the end of the support). In terms of production, the focus should be on hydropower plants, as in addition to an exceptionally bad hydrological year, many hydropower plants were left without support due to low reference costs.

**Support payments in 2022<sup>15</sup>**

POWER PLANT TYPE	PAYMENTS IN EUR EXCLUDING VAT	ELECTRICITY PRODUCED (kWh)	SHARE OF PAYMENTS	SHARE OF ENERGY
Biogas power plants	4,962,195	78,635,460	5.2%	9.8%
Other power plants	3,035,505	6,734,044	3.2%	0.8%
Wood biomass power plants	8,453,898	121,403,704.2	8.9%	15.2%
Hydroelectric power plants	1,238,945	15,209,663	1.3%	1.9%
Solar power plants	52,604,614	261,517,839	55.5%	32.7%
Fossil-fuel CHP	24,462,695	317,300,545	25.8%	39.6%
<b>Total</b>	<b>94,757,853</b>	<b>800,801,255</b>	<b>100%</b>	<b>100%</b>

**Comparison of payments and production between 2022 and 2021**



<sup>15</sup> Data for 2022 are as at 15 March 2022. There may be discrepancies in totals due to rounding.

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## Financial data of the Centre for Support

Contributions for the provision of the support are collected in a special account of the Centre for Support and are used for the provision of the support, the operation of the Centre for Support and for other purposes provided for by law.

The table shows the revenue and expenditure of the Centre for Support, in terms of realised values in 2022 compared to realised values in 2021 (as at 28 February 2023).

In 2022, the Centre for Support collected a net contribution of EUR 141.53 million from RES and CHP. The RES+CHP contribution also includes the contribution for district heat end-users and fossil fuel purchasers, in the amount of EUR 25.23 million. The RES+CHP contribution in 2022 was 21.2% lower than its realisation in 2021. Namely, in 2022, the Government of the Republic of Slovenia adopted certain measures to mitigate the energy crisis, exempting the “other unmetered consumption” and “household electricity consumption” customer groups from the RES+CHP contributions for the period from 1 February 2022 to 30 April 2022. In the second half of 2022, the exemption from RES+CHP contribution for fossil fuels (petrol and diesel) and the reduction of the RES+CHP contribution for electricity by 50% for the customer groups “other unmetered consumption” and “household electricity consumption” came into force.

The Centre for Support’s revenue includes separately the proceeds received from the sale of the Eco-Balance Group's electricity, which was sold indirectly in 2022, in a way that the Centre for Support transferred the Eco-Balance Group to the balance group of another member of the Balance Scheme. The Centre for Support’s revenue also includes accrued interest on late payments in the 2022 realisation. Following notifications received from the Energy Agency on identified infringements by beneficiaries of support, the beneficiaries were obliged to reimburse the undue support received and statutory interest totalling EUR 6,546.

### Overview of the Centre for Support’s revenue and expenditure in 2021 in 2022

	ITEM	REALISATION 2021 (IN EUR)	REALISATION 2022 (IN EUR)
A	Opening balance	240,481,489	292,113,017
<b>1</b>	<b>Revenue</b>	<b>185,159,655</b>	<b>153,652,047</b>
a	RES+CHP support	179,600,254	141,527,776
b	Domestic sources of primary energy support	0	0
c	Centre for Support – Sale of electricity	5,526,034	12,117,726
d	Late payment interest	33,367	6,546
<b>2</b>	<b>Expenditure</b>	<b>133,528,127</b>	<b>97,821,251</b>
a	RES+CHP support	128,054,627	94,757,851
b	Domestic sources of primary energy support	0	0
c	Operation of the Centre for Support	591,000	1,025,000
d	Other payments	4,882,500	2,038,400
<b>3</b>	<b>Total (1-2)</b>	<b>51,631,528</b>	<b>55,830,797</b>
<b>4</b>	<b>Total (A+3)</b>	<b>292,113,017</b>	<b>347,943,814</b>

In 2022, the Centre for Support disbursed EUR 94.76 million in RES and CHP support, 26% less than the previous year. The amount of the contribution for the implementation of the public utility service of the Centre for Support’s activities is set at EUR 1.03 million for the year 2022 by Government Decision No. 36000-13/2022/3 of 19 October 2022.

At the end of 2022, the Centre for Support reports a surplus of EUR 347.94 million.

### FINANCING OF THE SUPPORT SCHEME AND CONTRIBUTIONS

The Support Scheme is financed by all electricity consumers who are charged a contribution in accordance with the legislation for the provision of support for the production of electricity in high-efficiency cogeneration and from renewable energy sources.

The contribution is calculated monthly per unit of capacity charges as a separate item on the network use invoice. It represents a separate contribution which is not part of the network connection charge.

Since June 2014, the suppliers of fossil fuels and district heating that charge the contribution to final customers are also subject to the billing and payment of contributions. For the purpose of reporting and charging the contribution, Borzen set up an online portal (<http://prispevek.borzen.si>), which allows the preparation of the registration application and easy reporting on the amount of accrued contributions accounted to final customers.

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## Energy management of the Centre for Support balance group

The balance group managed by the Centre for Support, the so-called Eco Group, includes power plants that sell electricity through the Centre for Support. The Eco Group includes those power plants that are eligible for the guaranteed purchase support. Power plants that have concluded Eco contracts are also included in the Eco Group.

Compared to the situation at the end of 2021, the number of power plants in the Eco Group decreased by 17 generating units to 1,081 power plants in 2022. The total rated capacity decreased by less than 1% over the same period, reaching 73.4 MW at the end of 2022.

The dynamics of the changes in the composition of the Eco Group were mainly caused by changes in the type of support, entries based on public calls by the Energy Agency, exits from the support system due to the age of the generation units, withdrawals of support and changes in ownership. When the latter occur, the Energy Agency first withdraws the support from the previous owner with a decision and then issues a new decision to the new owner. In the intermediate period (from the withdrawal of the support until the new decision is issued), the power plant is usually not eligible for support and is, consequently, not included in the Eco Group. The Energy Agency acts in the same way in the event of the expiry of the declaration if the beneficiary fails to renew it in time. In this case, the beneficiary is also deprived of the support until the declaration and subsequent decision on granting support have been adequately regulated.

Number of power plants in the Eco Group from 2019 to 2022

POWER PLANT TYPE	AS AT 31/12/2019	AS AT 31/12/2020	AS AT 31/12/2021	AS AT 31/12/2022
Solar	1,029	1,036	1,039	1,028
Hydro	16	19	12	11
CHP	52	49	42	38
Biogas	6	4	4	4
Wind	1	1	0	0
Landfill gas	0	0	0	0
Gas from waste water	1	1	1	0
<b>TOTAL</b>	<b>1,105</b>	<b>1,110</b>	<b>1,098</b>	<b>1,081</b>

Sum of the rated power of power plants (in kW) in the Eco Group from 2019 to 2022

POWER PLANT TYPE	AS AT 31/12/2019	AS AT 31/12/2020	AS AT 31/12/2021	AS AT 31/12/2022
Solar	60,467	61,063	61,634	62,897
Hydro	4,280	4,992	4,264	4,245
CHP	4,770	4,446	3,215	2,996
Biogas	4,915	3,276	3,262	3,262
Wind	15	15	0	0
Landfill gas	0	0	0	0
Gas from waste water	518	518	518	0
<b>TOTAL</b>	<b>74,965</b>	<b>74,310</b>	<b>72,893</b>	<b>73,400</b>

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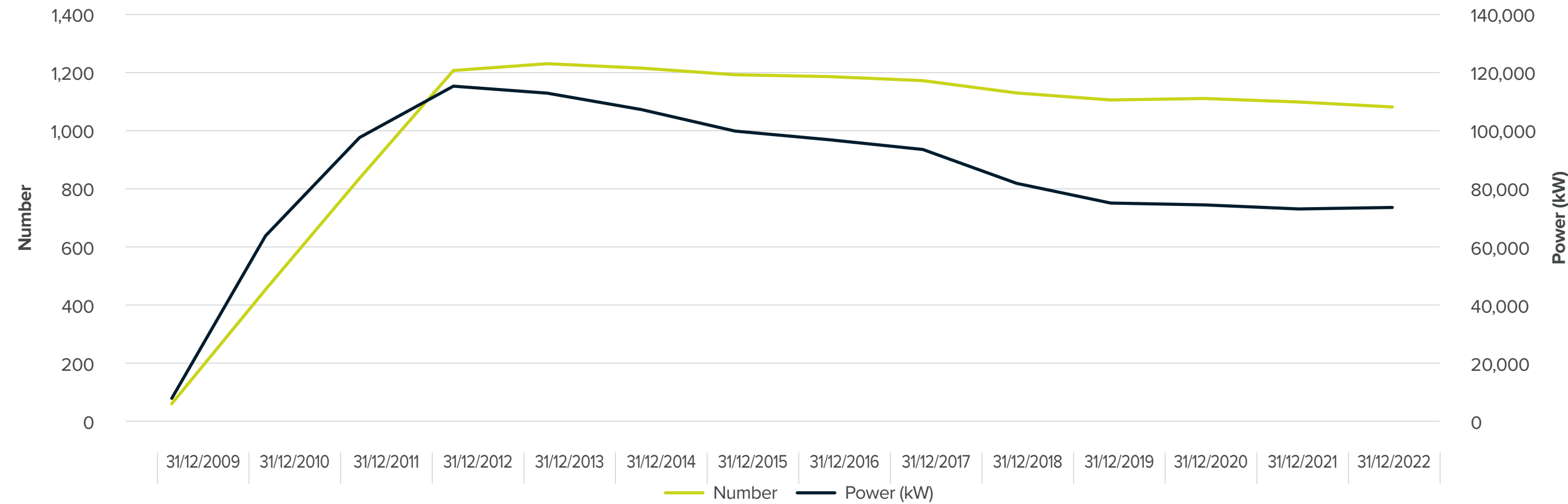
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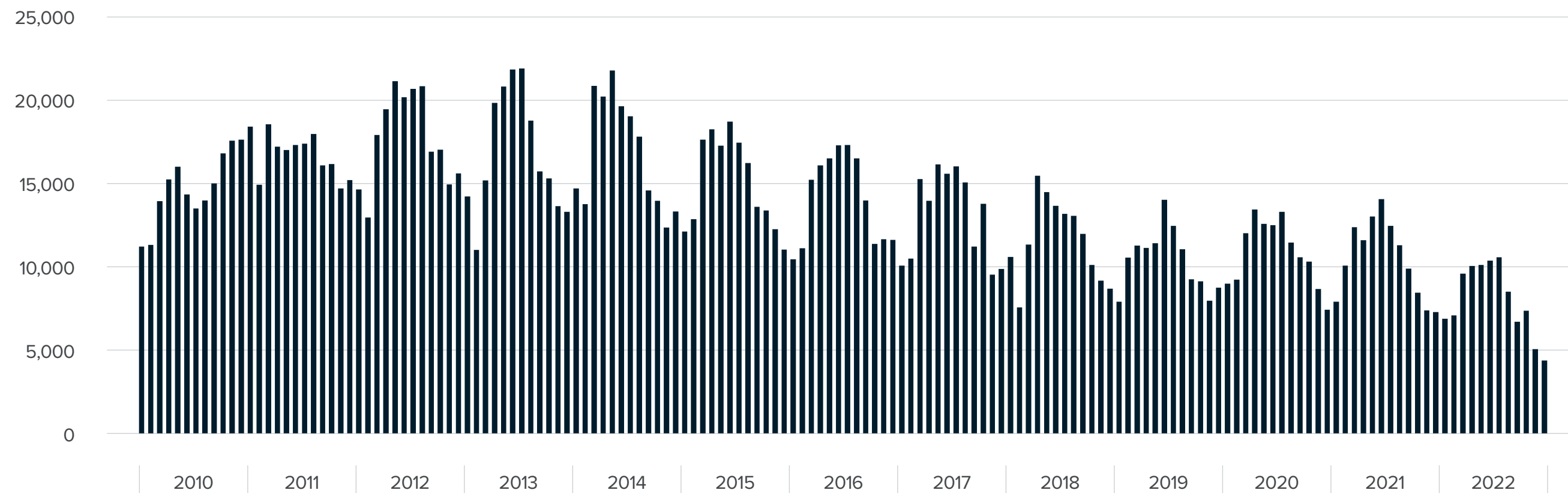
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Overview of trends in the total number and power of generation units in Eco Group since its foundation



As can be seen from the chart above, the number and capacity of generation units included in the Eco Group remained at a very similar level as at the end of 2021. The composition and share of individual technologies also remained unchanged compared to previous years. The graph below, which shows the sum of the monthly electricity production of the Eco Group from 2009 to 2022, shows a markedly higher production in calendar months with more favourable conditions for the operation of solar power plants. This is of course to be expected, as solar power plants still account for almost 95% of the total number of power plants in the Eco Group, and just under 85% in terms of nominal power.

Monthly realisation of the Eco Group in the years 2009 to 2022 (in MWh)



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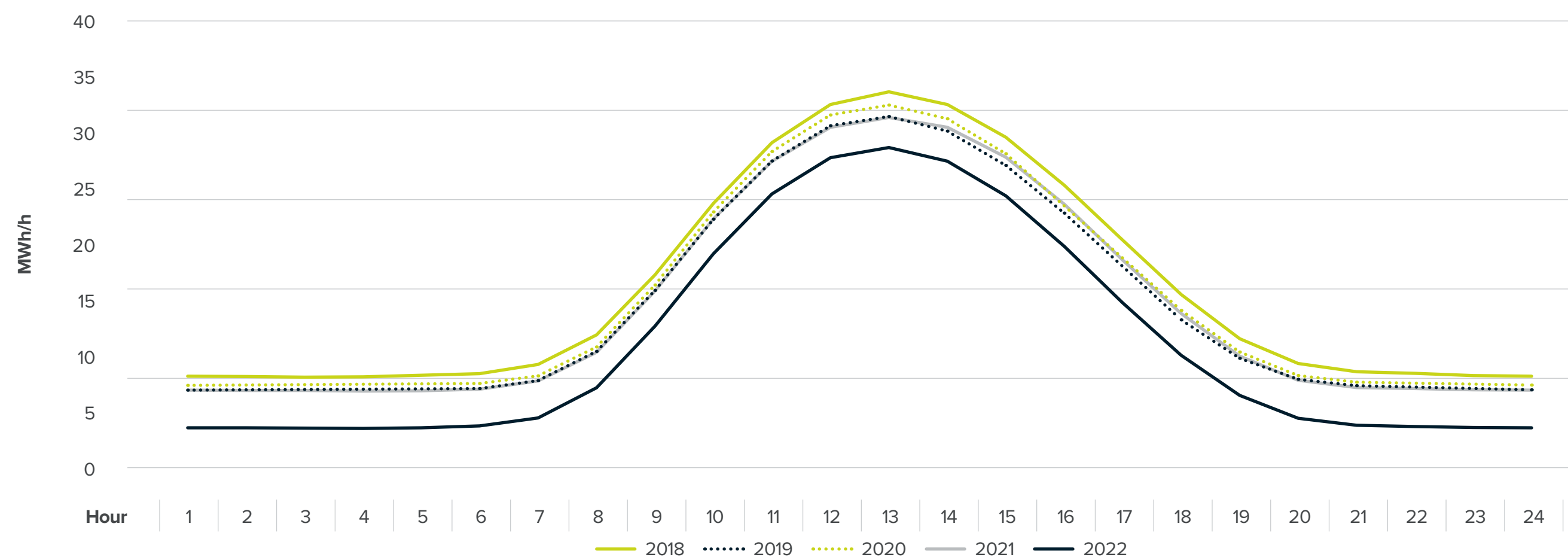
The graph shows a gradual stabilisation of the total production from the Eco Group. In 2022, the conditions for solar generation were comparable to 2021, while hydrological conditions affecting small hydro generation were markedly unfavourable compared to the previous year or even to the long-term average. The average temperatures were on average much higher compared to the previous year, and the difference is even more pronounced when comparing last year's average temperatures with the long-term average. This, together with the exceptional natural gas market conditions and all the accompanying measures, has also had an impact on the production volumes from CHP plants using natural gas as the main energy source. As shown in the graph below, which shows the average hourly production over the years, the total production in 2022 was significantly lower than in previous years, mainly due to lower production from hydro power plants and CHP units.

In order to ensure the highest possible degree of transparency in the implementation of the RRM-REMIT service, it was decided in 2015, when the RRM application was granted, that the sale of electricity from the Eco Group was to be carried out in an indirect way. In accordance with the Rules on the Operation of the Centre for RES/CHP Support, this means the sale or transfer of the entire Eco Group to the balance group of the member of the Balance Scheme that offers the best purchase terms for the electricity generated. The company that secures the contract is responsible for declaring the closed contracts and operational forecasts, and operationally implements and bears the costs of balancing the differences between forecasted and realised production, including the quantity and financial aspects of the imbalance settlement.

In October 2022, an auction was held for the electricity to be generated by the Eco Group in 2023, which achieved a record high price of EUR 317 per MWh, reflecting, of course, the market conditions at the time.

The following table shows the total amount of electricity generated by the units included in the Eco Group over the past five years, the total value of the sales of that electricity and the final price achieved at which the electricity was sold.

Average daily profile



Sale of electricity from the Eco Group

YEAR	2019	2020	2021	2022
Total [MWh]	125,081	130,718	125,993	96,857
Calculation of imbalances [MWh]*	-31	-24	0	n.a.
Total (EUR million)**	7.4	7.3	5.5	12.1
Final price (EUR/MWh***)	58.88	55.87	43.86	125.11

\* The values are taken into account in the balance year in which they were incurred and not in the year in which they were financially executed.

\*\* Rounded to one decimal place.

\*\*\* Rounded to two decimal places.

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## Guarantees of Origin Registry

The Guarantees of Origin are electronic records that provide evidence that a certain amount of electricity has been generated at a specific generating facility during a specific period of time, in the manner specified in the guarantee of origin.

The Registry of the Guarantees of Origin is an electronic support for the system of issuing guarantees of origin for electricity. It allows users to issue, download and redeem guarantees of origin in a transparent and easy way via the internet. The various lists supported in the registry of the Guarantees of Origin allow users to have a constant overview of their accounts and to export and process the data in any way they wish in the corresponding software tools.

### Activities in the Registry of the Guarantees of Origin in 2022 (kWh)

ENERGY SOURCE	ISSUED	CANCELLED	EXPORTED	IMPORTED	TRANSMITTED
Renewable	704,000.00	42,000.00	/	/	704,000.00
Renewable/solid/wood	115,255,000.00	102,254,000.00	/	/	98,902,000.00
Renewable/gas	27,690,000.00	/	/	33,262,000.00	27,690,000.00
Renewable/gas/landfill gas	1,066,000.00	1,066,000.00	/	/	1,066,000.00
Renewable/gas/landfill gas/waste water gas	2,562,000.00	1,801,000.00	/	/	2,562,000.00
Renewable/gas/landfill gas/agricultural gas	1,069,000.00	1,069,000.00	/	/	/
Renewable/gas/agricultural gas/energy crops	39,496,000.00	40,160,000.00	/	/	39,496,000.00
Renewable/thermal/solar	200,737,000.00	1,060,381,000.00	1,250,366,000.00	40,000,000.00	244,351,000.00
Renewable/mechanical or other	758,000.00	550,000.00	/	/	758,000.00
Renewable/mechanical or other/wind	5,833,000.00	12,095,000.00	12,090,000.00	5,717,000.00	5,833,000.00
Renewable/mechanical or other/hydro and marine	3,045,415,000.00	1,383,151,000.00	1,628,265,000.00	3,791,601,000.00	3,757,579,000.00
Fossil/solid/brown coal/lignite	2,383,605,000.00	/	/	/	2,383,605,000.00
Fossil/liquid/liquid natural gas	5,418,000.00	5,301,000.00	/	/	2,551,000.00
Fossil/liquid/petroleum products/liquefied petroleum gas	636,000.00	/	/	/	636,000.00
Fossil/gas	/	18,000.00	/	/	/
Fossil/gas/natural gas	223,063,000.00	140,011,000.00	/	/	143,947,000.00
Nuclear/solid/radioactive fuel/UOX	8,512,114,000.00	2,472,938,000.00	/	/	12,871,925,000.00
<b>Total</b>	<b>14,565,421,000</b>	<b>5,220,837,000</b>	<b>2,890,721,000</b>	<b>3,870,580,000</b>	<b>19,581,605,000</b>

<sup>16</sup> According to the Energy Agency's data.

The Energy Act stipulates that the issuing of Guarantees of Origin for the whole of Slovenia is the responsibility of the Energy Agency. In accordance with the law, Borzen is, in its role as the Centre for Support, responsible for maintaining a joint application support for the registries that are necessary for the implementation of the support system for the production of electricity from renewable energy sources and high-efficiency cogeneration, which also include the Registry of the Guarantees of Origin.

The Registry, which is an upgrade of the central Guarantees of Origin Database, was established in cooperation with the Energy Agency. Borzen administers the application software, while the Energy Agency issues the guarantees of origin.

As at 31 December 2022, the Registry included **1,475 users**,

consisting of the administrator account (Borzen), the account of the issuer of the Guarantees of Origin (Energy Agency), the account of the Centre for Support, 6 accounts of system operators, 16 trading accounts and 1,451 accounts of electricity generators. There were **2,262 registered generation units** with a total rated capacity of **3,084,053 kW**, which is approximately 85% of the installed capacity of the generation units in the Republic of Slovenia<sup>16</sup>.

In 2022, a total of 14,565,421 MWh of guarantees of origin were issued, representing an increase of 144% compared to 2021. However, the fact that guarantees of origin are gaining more and more traction is the 86% increase in imports in guarantees from abroad and the increasing presence of Slovenian production capacities in the Registry.

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## UNREGULATED ACTIVITIES

As parts of its unregulated activity, Borzen provides RRM - REMIT services, as well as IT support and financial clearing of the exchange trades for the purposes of BSP.

The scope of our services includes:

- **as part of the clearing of transactions concluded on the energy exchange, we perform the following tasks:**
  - calculation of financial liabilities and receivables,
  - determining the net balance of financial claims and liabilities after offsetting mutual claims and liabilities,
  - financial settlement of concluded transactions,
  - managing the financial coverages,
  - performing counterparty functions in the market coupling process,
  - management of the exchange membership records,
- **as part of the provision of IT services, we perform the following tasks:**
  - rental and use of ITC equipment in high availability mode,
  - renting space in ITC racks for the equipment owned by BSP or third parties in a relationship with BSP,
  - rental and maintenance of desktop computers and software,
  - providing user support,
  - provision and maintenance of e-mail services,
  - provision and maintenance of network data storage and backup services,
  - management of certain third-party software solutions.

## RRM - REMIT REPORTING SERVICE

In October 2015, Borzen started performing reporting services of transactions on the wholesale energy market for all participants on the electricity and gas markets in accordance with the Regulation on Wholesale Energy Market Integrity and Transparency (hereinafter: REMIT). According to the Regulation, all participants who enter into wholesale transactions on the electricity and gas markets, both on the regulated and the bilateral and over-the-counter (OTC) markets, are required to report their wholesale energy transactions to the Agency for the Cooperation of Energy Regulators (hereinafter: ACER).

Borzen provides a service that generates various synergistic effects that go hand in hand with our knowledge, experience and the role entrusted to us by the legislator in ensuring a transparent functioning of the electricity market. In this way, the Slovenian Market Operator provides a systematic, transparent, efficient and competitive Slovenian electricity market and its further integration into the internal European market.

On the basis of the energy legislation, as extended by the provisions of the Decree on the award of a concession and on the method of provision of a service of general economic interest – electricity market operator, adopted by the Government of the Republic of Slovenia, Borzen initiated the RRM - REMIT reporting service after its registration with the Energy Agency and after obtaining the status of a Registered Reporting Mechanism (hereinafter: RRM) with ACER. The RRM status, which can only be obtained by legal entities that meet ACER's strict requirements, enables Borzen the implementation of reporting services to third parties.

As a part of the RRM – REMIT service, Borzen implements a daily transaction reporting on the wholesale market (the elements of transactions and trading orders) through a web application and on behalf of the market participant to ACER. Within the RRM – REMIT service, Borzen also prepares and provides information on transactions and trading orders made on the BSP Energy Exchange to other RRM's.

Following the ACER guidelines, the main focus in 2022 was on ensuring adequate data quality. Borzen has therefore continued to actively inform and assist its users in meeting their regulatory obligations. At the end of 2022, 50 clients, most of them from abroad, had entrusted Borzen with the RRM - REMIT reporting service. The number of clients can be attributed, among other things, to the fact that Borzen has proven to be a reliable partner over the years. In 2022, the necessary adjustments to the reporting scheme were made in line with ACER's requirements, including changes to the web application. The decline in the number of clients was within the expected range (i.e. cancellations of clients who did not actually use the service at all or withdrew from the market altogether). Otherwise, the trend in the number of clients has been fairly stable in recent years. There is a tendency for some companies to consolidate their business (switching from several RRM's to one, reporting also for affiliated companies), and therefore some clients who are inactive (not reporting) are expected to leave in the coming years as well. In fact, as can also be seen from the reduction in contract volumes and the dynamics of the Balance Scheme, the market as a whole is not expanding.

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## DEVELOPMENT OF ENERGY EFFICIENCY SERVICES

Borzen's core activities, i.e. the provision of the public utility service of electricity market operator and the implementation of the Support Scheme for RES and CHP production are intertwined with sustainable development and, in particular, with the development of energy-efficient services, which is also in line with the EU's guidelines.

The Member States have committed themselves to the Green Deal and the goals that the Member States must achieve by 2030, i.e. a 40% share of energy from RES, a 36-39% reduction in final and primary energy consumption and an increase in energy efficiency of at least 32.5%. The Green Deal identified the energy sector as one of the key generators of the new green investment cycle. However, the energy sector is also dependent on energy management in all material flows, including other sectors (for example, mineral extraction, production and processing activities, collection and treatment of waste as well as consumers at all levels). Understanding this dynamic is a reflection on the **EU's Green and Just Transition and its development ambition**, which will require innovative approaches in combining social (integration of different sectors, decentralisation, etc.) and technological innovation (KETs and disruptive technologies, such as AI, IoT, Big Data, etc.).

In particular, the ability of the existing system (e.g. the state system and its sub-systems) to recognise and respond competitively to these challenges is a major challenging issue. Borzen, due to its systemic role as an electricity market operator and a centre for supporting green energy production, recognises this potential and is aware of the lack of knowledge, competences, integration, system solutions and financial resources in this area.

The development activities support Borzen's activities in the direction of the EU development strategy, which is already partly reflected in the new legal obligations and will be further enhanced. For this reason, it is necessary to develop services that will be a competitive advantage in the future due to Borzen's preparedness.

As part of our development activities, based on needs, trends and capabilities, we continued to develop international projects in 2022, which are presented in more detail in the section "International stakeholders".

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## Implementing information, awareness-raising and training programmes on energy efficiency and renewable energy - **TRAJNOSTNA ENERGIJA** (“SUSTAINABLE ENERGY”)

Under the *Trajnostna energija* (“Sustainable Energy”) brand, Borzen informs, raises awareness and offers training programmes to different target groups.

Each of these groups manages energy in some way and, as a consequence, affects the environment and future generations through their behaviour. Through a wide range of activities, Borzen empowers individuals and institutions, giving them the knowledge to make the right energy decisions.

Within the framework of its tasks under Article 55 of the Act on Energy Efficiency (ZURE), Borzen carries out activities in the field of information, awareness-raising and training on renewable energy sources and the efficient use of energy. These activities are carried out under our own brand **TRAJNOSTNA ENERGIJA** (“SUSTAINABLE ENERGY”), through which we reach a wide range of diverse audiences.

*Trajnostna energija* (“Sustainable Energy”) brand logo



**TRAJNOSTNA ENERGIJA**

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<sup>17</sup> GRI 413-1



In 2022, we carried out a series of activities in the field of information, awareness-raising and training on the efficient use of energy and renewable energy sources, which were effectively communicated and integrated through the web portal SUSTAINABLE ENERGY ([www.trajnostnaenergija.si](http://www.trajnostnaenergija.si), hereinafter: the TE portal). The portal is a hub of information on energy efficiency and renewable energy sources, providing a simple and transparent collection of quality and expert information that, on the one hand, contributes to more efficient energy use and, on the other hand, provides a variety of information on renewable energy sources and their use.

We have pursued our objectives and strategy and through various activities and projects we have tried to raise awareness and knowledge in the field of sustainable energy and to contribute to the increased use of renewable energy sources and efficient energy use. In doing so, we have built on the results of past projects, reproductions, some continuous activities and some new projects.

**The key activities are summarised below:**

**Conference “Sustainable Energy Locally 022”**

In mid-September, we held our 8th “Sustainable Energy Locally” conference, entitled ‘Accelerating the Green Transition in a Time of Crisis’. As every year, the event was aimed at municipal energy managers, local energy agencies and other relevant audiences.

The conference focused on efficient energy management, energy self-sufficiency and integrated and efficient energy solutions that can help citizens and local communities to meet the challenges of high energy prices. Nearly 100 participants had the opportunity to hear that Slovenia is home to a number of ground-breaking municipalities and the topics on self-sufficiency, the green transition, energy poverty and the challenges brought by the energy crisis were also well received.

**Web portal and social networks**

The web portal [www.trajnostnaenergija.si](http://www.trajnostnaenergija.si) has been upgraded with new content on RES and EE, as well as content resulting from past projects. In addition, the existing content has also been updated accordingly.

In order to provide an overview of current domestic and foreign calls for tenders in the field of RES and EE, we have regularly updated the module, which provides a comprehensive overview of published calls for tenders in the field of sustainable energy in Slovenia and abroad. This allows individuals and organisations to browse through current calls for tenders, it saves them time looking for certain information and enables a wider range of stakeholders to access these funds, as well as to make better use of the funds available. Data and information are logically linked and organised to make it easier and faster for users to get the information they want. Throughout the year, we have

been publishing news updates and have been sending out an e-newsletter, through which we have aimed to broaden our subscribers’ base.

We also maintain an active online presence via Facebook, LinkedIn and YouTube.

**Promotion of RES and EE in primary schools**

Between October and November, the tech days on RES and EE were organised in five primary schools in different regions of Slovenia, which were selected in a public call for proposals. Over 360 primary school pupils of the third triad were introduced to the concept of climate change, the impact of pollution on the environment, digital pollution and e-mobility. They learnt about energy saving measures and gained knowledge about electricity production from renewable energy sources. The tech days were received with 91% satisfaction among teachers.

**Sustainable Energy Atlas**

The Sustainable Energy Atlas web application, which displays renewable energy sources (electricity generation sources and RES potentials) and energy efficiency measures (implemented measures by households and legal entities) on a Slovenian map, was updated in 2022 with the latest data and supplemented with missing data on both RES (data related to SODO) and EE (data obtained by the Eco Fund). The Sustainable Energy Atlas is intended for the general public to use for their own purposes, for which we assume that it will be of great added value for potential investors. The RES part shows aggregated production and disbursement data, which are linked to the geographical attributes in the Atlas and at the same time allow the possibility of a multi-layered analysis. In 2022, we have also added new generation units to the Atlas, i.e. the new entries to the RES/CHP support system.

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### Media campaign on energy efficiency

The energy crisis, which particularly marked the year 2022, and the initiative of the Ministry of Infrastructure led to our decision to launch a media campaign to raise awareness among Slovenian households about their energy management in the direction of greater savings and efficiency.

We focused on communication activities such as a radio communication campaign, outdoor advertising across Slovenia, advertising on Facebook, an e-publication with energy efficiency tips for households and two leaflets with energy efficiency tips (one for offices and one for young people), as well as other PR activities.

### Regional energy meetings

In an effort to empower individuals with the right skills to make the right energy decisions, we organised and hosted working visits and presentations on energy efficiency and renewable energy in Slovenian municipalities between October and December, entitled 'Regional Energy Meetings: Challenges and Solutions for Sustainable Energy'. The meetings took place in five different Slovenian regions and were attended by around 120 representatives of local authorities from 36 Slovenian municipalities.

### Green public procurement

Green public procurement is primarily aimed at reducing the negative environmental impact of the public sector, encouraging the development of more environmentally friendly products and new green technologies and setting an example for the business sector and citizens.

In order to empower and encourage the efficiency of those involved in procurement processes, we conducted a training course on "Green Procurement of electricity-related items with a special focus on Case P17 - Electric bulbs and lamps and indoor lighting". In addition, model tender documents for the establishment of a dynamic purchasing system for the above-mentioned items, including a model contract, were prepared. Proposals for amendments to the Green Public Procurement Regulation and proposals for amendments to the P17 Case were also made.

### Training of experts for conducting energy audits

In accordance with the Act on Energy Efficiency (ZURE), Borzen has become a provider of training for energy auditing experts, with the aim of ensuring quality energy audits for all end-users. As a result, the following activities were carried out in 2022:

- an expert consultation on the implementation of energy audits in Slovenia,
- training of certified experts to carry out energy audits,
- training of certified experts to carry out energy audits of industrial buildings with production processes.

We provided nearly 50 energy auditors and energy managers with further training in energy audits, energy systems, energy consumption, metering and metering equipment, and energy efficiency.

### Energy management in the public sector and energy-intensive enterprises

The main topic of the webinar series, which was attended by more than 400 participants, was that efficient energy

management is key to a decarbonised society and that both the public sector and energy-intensive businesses have an essential role to play in this issue. Nearly 95% of participants were very satisfied or satisfied with the content and delivery of the training.

The materials on energy management are also available to the general public on the TE portal.

### Research on heat cost allocators

The use of individual meters or heating cost allocators to measure individual heat consumption in buildings heated by district heating or shared central heating is useful in cases where final consumers have the possibility to regulate their own individual consumption.

The research on heat cost allocators in multi-apartment buildings was already partially prepared in 2021 and was expanded in 2022, in particular to provide an economic analysis, to address specific cases and the relate sensitivity analysis, as well as to make proposals for appropriate legislation in this area.

### Survey on energy efficiency in Slovenia

As the main co-financer, we have participated in the Slovenian Household Energy Efficiency Survey (shorter: REUS), which aims to provide useful information on energy use and to promote the efficient use of energy and renewable energy sources in Slovenian households. The survey, which takes place periodically every two or three years, monitors environmental trends in the field of RES and EE.

The results of the survey were presented to the public at an event held at the end of 2022 and, together with the results of previous surveys, are available on the TE portal.

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### Social media

We also maintain an active online presence through Facebook, YouTube and LinkedIn, all of which are excellent ways to build the *Trajnostna energija* brand and connect with users. The number of actions carried out by users on the Facebook page and its posts during the six-month advertising period was almost 23,000 and the number of total ad impressions during the advertising period amounted to over 2.3 million.

### Handbook on setting up small power plants

In 2022, we have updated our handbook for investors in small-scale RES generation units, which will make it easier for them to follow the necessary procedures for making such investments. The content of the handbook covers all the basic elements: spatial aspects, construction, electricity and market placement (e.g. fully marketable projects, self-supply, support scheme). This way, investors can get all the basic information they need to make a construction decision in one place. The handbook was graphically designed in 2022 and the content was also published on the TE portal. In cooperation with SODO, we also carried out the printing and distribution of the handbook.

Throughout the year, we highlighted relevant topics related to sustainable energy and the events and activities that took place under the *Trajnostna energija* (“Sustainable Energy”) brand. The area of information, awareness raising and training is an excellent opportunity to disseminate information on renewable energy and energy efficiency to the widest possible audience and to do our utmost to raise awareness and knowledge on both topics, thereby empowering the different target audiences. In the future, we intend to carry out new projects in this field and to expand the content of existing ones.

Purposeful and earmarked sponsorships and donations are one of the ways of connecting with the community and contribute to the positive functioning of society as a whole. Our donations have supported the local community, in particular in the humanitarian, health and sports fields, in the total amount of EUR 1,000.

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## Media

Transparent and up-to-date communication is one of our priorities. We regularly respond to press enquiries, arrange interviews or articles and keep journalists informed of key developments in the company. We monitor media reactions on a daily basis and respond to them when necessary.

Our company has been a long-standing member of the Newspaper Council of the Slovenian electricity industry magazine *Naš stik* ("Our Contact"), which plays an important role in informing the professional energy community, as well as in promoting energy literacy among the general public. In 2022, Borzen contributed to the content of the magazine and the web portal with its own contributions, as well as providing guidance on other content.

Borzen concluded an agreement with the television company Pro Plus to air the cartoons *Lepši svet* ("A Better World") on their channels, in particularly on the children's channel OTO. In this way, we aim to reach a higher additional viewership.

## International stakeholders<sup>18</sup>

- In the area of corporate social responsibility.
- Participation in professional associations and working groups.
- In the area of transparency and ensuring transparency in the functioning of the electricity market.
- Cooperation and development.

At Borzen, we actively participate in shaping trends in both the Slovenian and European energy sectors. We are aware of the importance of cooperation between different players in the energy sector. Our experts hold responsible positions in various associations and working groups, which shows the great trust placed in us in professional circles. Some of the most important stakeholders in our company's activities are mentioned below.

In the first place, we would like to mention our participation in the EuroPEX association, which brings together European energy exchanges and electricity market operators, where Mr. Borut Rajer, the company's general manager, is the Member of the Board. The APEX association and cooperation within the section established at the Chamber of Commerce and Industry of Slovenia, through which Borzen is a member of the Eurelectric association (European Association of Electricity Producers, Transmission, Distribution, Trading and Supply Companies) are also important organisations through which we exchange knowledge.

Borzen and its representatives actively contributed to the functioning of the ENTSO-E association within the framework of the WAS Anciraly Services working group. As an observer member of the Imbalance Settlement Harmonisation Project Team, Borzen has contributed suggestions and opinions to the development of a proposal from all system operators to harmonise imbalance settlement in the EU. The Electricity Balancing Guideline Regulation (2017/2195) dictates further harmonisation of the electricity market in the EU, which will have a significant impact on the changes in the area of imbalance settlement in our country.

Our company is also very active in the Energy Market Data Exchange Section (IPET), which operates within the Energy Chamber of Slovenia and promotes the development of data exchange in the electricity market. Borzen's great commitment within the section is indicated by the fact that our colleagues have been involved in the leadership of the section since its foundation, occupying the position of president or vice president. Thus, the current vice president is David Copič, Deputy Director of Operations at Borzen.

Borzen's colleagues also participate in the CIGRE (Conseil Internationale des Grands Reseaux Electriques) - CIRED (Slovenian Association of Power Engineers) association, especially in the Marketing and Regulation of Energy Systems group.

Another important aspect is our membership in ISACA (Information Systems Audit and Control Association), an international organisation dedicated to the development of information systems auditing, information technology governance, control and assurance and cyber security.

Borzen is also a member of the Network of Corporate Socially Responsible Companies, which promotes and raises awareness of the importance of social responsibility and is a meeting point for Slovenian companies and organisations to exchange knowledge, information, ideas and good practices in the field of corporate social responsibility. In 2022, we promoted the various activities that Borzen carried out during the year in the area of corporate social responsibility and its activities in a broader context, thereby increasing their impact.

## Other stakeholders<sup>19</sup>

Our suppliers and external contractors, with whom Borzen cooperates in the performance of specific activities, are another important stakeholder group. When selecting suppliers, we adhere to the principles of public procurement, carefully verifying their references and green procurement guidelines. In these business relationships, we often develop or upgrade specific products and services, through which we learn and improve together.

We also consistently adhere to the Shareholder's Recommendations and to the legal obligations in the field of public procurement, where we ensure, among other things, that all required information is regularly published on the national public procurement portal. A help desk is available for stakeholders to obtain information or lodge complaints.

We pay particular attention to the protection of personal data, in line with the General Data Protection Regulation (GDPR), for which we also appointed a Data Protection Officer.

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<sup>18</sup> GRI 102-13

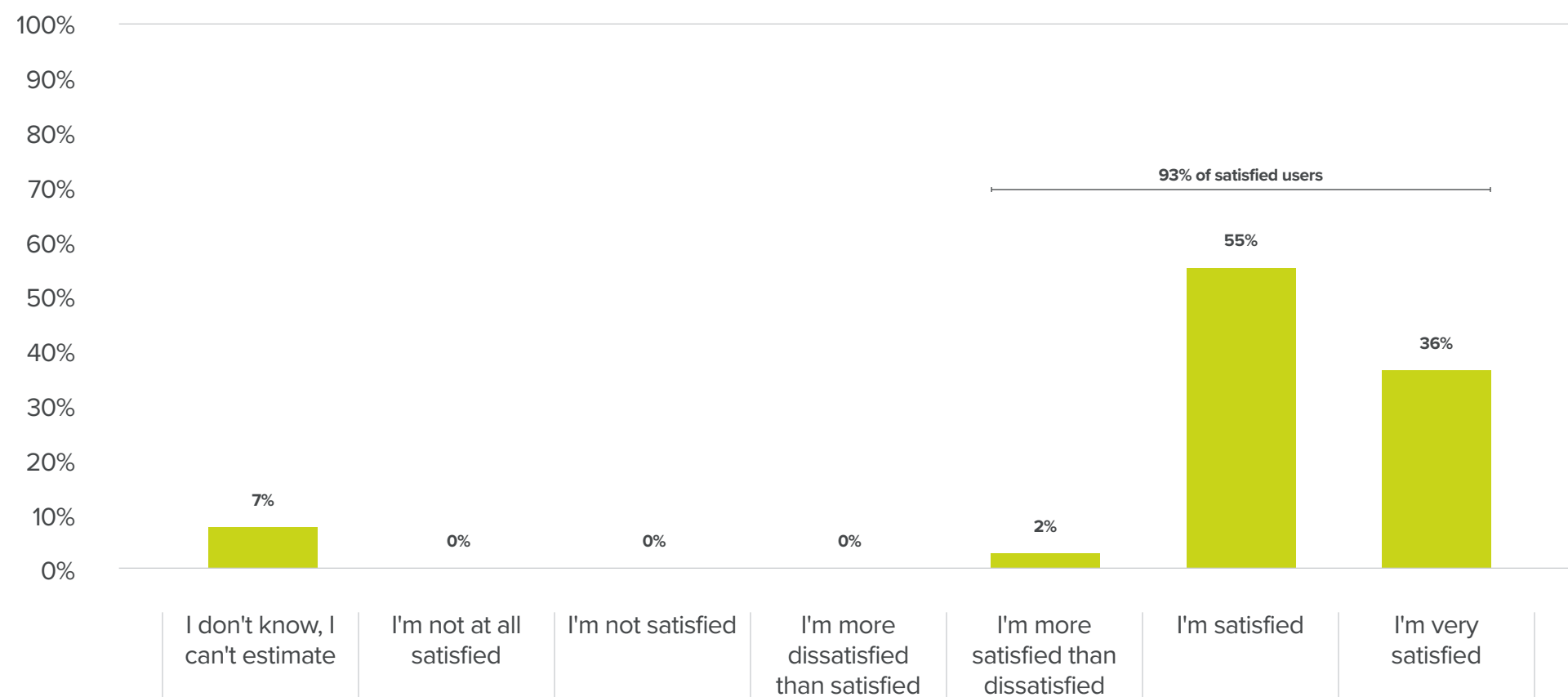
<sup>19</sup> GRI 102-17



## Measuring stakeholder satisfaction

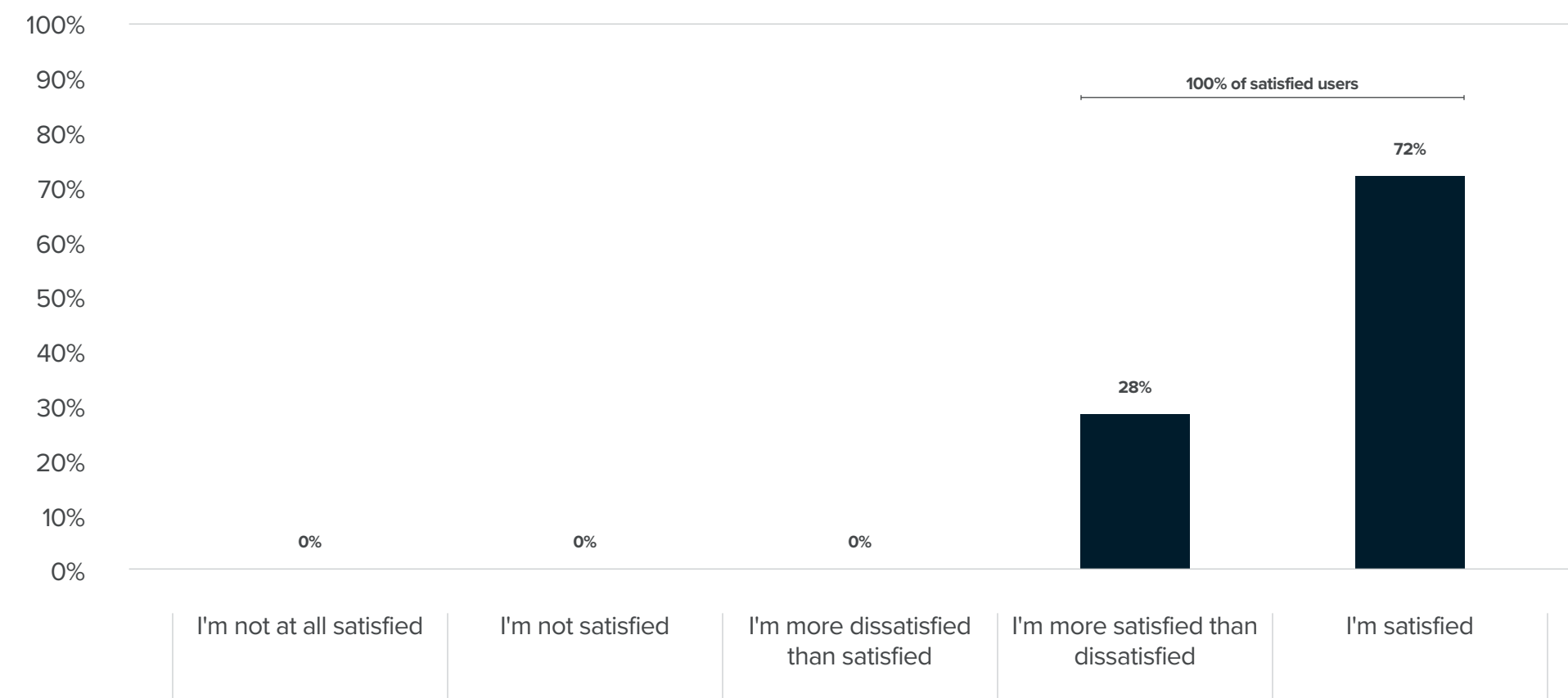
We regularly check the overall satisfaction of our stakeholders through satisfaction analyses. We carry out a biannual satisfaction analysis of the Market Operator and the Centre for Support stakeholders. The results of the latter, based on a sample of almost 50 participants in 2022, show that the performance of the Market Operator's activities is at an exceptionally high level, with 93% of participants being satisfied (36% completely satisfied, 55% satisfied and 2% more satisfied than dissatisfied users).

Overall satisfaction of stakeholders



In 2022, in addition to the analysis of the Market Operator's stakeholders' satisfaction, we also carried out an analysis of stakeholders' satisfaction with the RRM - REMIT service. The results, based on a sample of almost 20 respondents, show that the implementation of the REMIT service is at an extremely high level. Overall, respondents rate their overall satisfaction as 72% satisfied and 28% more satisfied than dissatisfied, i.e. a total satisfaction of 100%.

Overall satisfaction with the RRM - REMIT service



Alongside our various activities, we also carry out occasional satisfaction analyses, for example participant satisfaction at our traditional Sustainable Energy Locally conference, webinars, etc. The average satisfaction rating for events was 92.6%. We will continue to analyse satisfaction and obtain other relevant feedback in the future.

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**8 HUMAN CAPITAL<sup>20</sup>**

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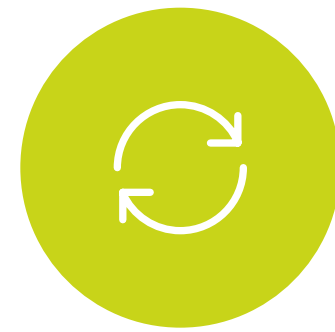
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<sup>20</sup> GRI 102-7, 102-8, 201-3, 401-1, 401-3, 403-1



40

employees



12.5

rate of employee turnover



41 years

average age



55%

of employees are female



60%

of employees with a university degree

## EMPLOYEES AND HR DEVELOPMENT

Employees are at the heart of Borzen's operations, and we are committed to their personal and professional development. We strive to create a stimulating work environment that combines the demands of the job and the company's business objectives with commitment, motivation, loyalty and good relationships. Borzen employs competent, highly professional employees who place social responsibility, ethical business conduct and a focus on development and progress at the core of their work.

## RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR<sup>21</sup>

We respect the traditions, cultures and religions of each stakeholder in all our business relationships. Under no circumstances is discrimination on the basis of race, colour, gender, sexual orientation, marital status, pregnancy, parenthood, religion, political belief, nationality, ethical affiliation, disability, social origin or status, trade union membership or other personal circumstances permitted. The values that the company's employees follow are trust, responsibility, professionalism, creativity and innovation. These values are also written on the company's website and on the company's premises, and are also reflected in our internal documents, such as the Employee Dignity Policy, which sets out standards and norms of behaviour. The Policy regulates how sexual and other harassment and ill-treatment in the workplace is identified, prevented and addressed.

Protection against sexual and other harassment and ill-treatment in the workplace is determined and implemented in accordance with the provisions of the law governing employment relations, the provisions of the law governing the implementation of the principle of equal treatment, the provisions of the law governing equal opportunities for men and women, and the provisions of the law governing safety and health at work. We have selected a representative from among our employees to receive reports of alleged sexual and other harassment and ill-treatment. The officer receives education and training in dignity protection and provides information to employees on this subject and keeps a register of reports. There were no reports of discrimination in 2022.

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<sup>21</sup> GRI 102-17



# HR INDICATORS<sup>22</sup>

## NUMBER OF EMPLOYEES

At the end of 2022, the company employed 40 people. There is no increase in the number of employees compared to the end of 2021. The average number of employees on an hourly basis for 2022 was 38.39, an increase of 3.46 employees compared to the average number of employees in the previous year.

One employee exercised her right to part-time work in accordance with the regulations on parental care. The other employees had a full-time employment relationship.

At the end of 2022, all workers in the company were employed for a permanent period of time, which means a decrease in the share of temporary employees compared to 2021, when the share was 2.5 percent of all employees.

When seeking and selecting employees in our company, we look at the skills, competences and experience that each individual

has. These are the only factors we take into account when employing people. We treat all job applicants equally, regardless of their gender, age, race or any other personal circumstance, and we comply with all legal standards.

## EMPLOYEE TURNOVER

In 2022, the turnover rate was 12.5, an increase of 6.8 percentage points compared to 2021. The increase was mainly due to the movement in the market of qualified personnel in the field of IT. The company recognises the importance of retaining quality employees and we continuously make sure that our employees are satisfied, committed and motivated and that they grow both professionally and personally.

The following table provides an overview and comparison of the number of arrivals and departures of the company's employees in 2021 and 2022 by gender and age.

Breakdown by sex and age of the employees who left the company and new employees for 2021 and 2022

	LEFT BORZEN		JOINED BORZEN	
	2021	2022	2021	2022
Number	2	5	9	5
Gender	2 females	1 female / 4 males	8 females / 1 male	3 females / 2 males
Age	50, 42	42 / 35, 38, 48, 56	25, 27, 39, 39, 41, 41, 42, 50 / 55	36, 30, 31 / 43, 44

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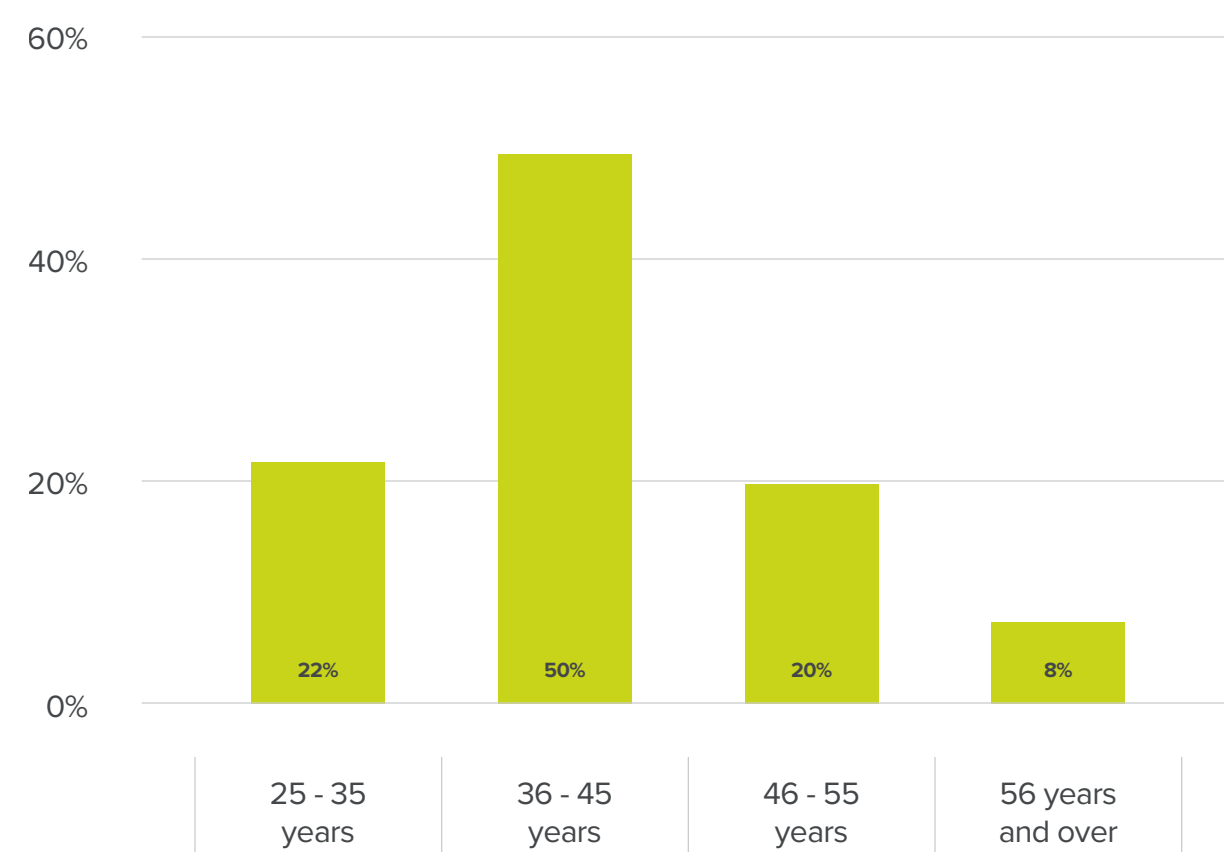
## GENDER STRUCTURE

At the end of 2022, there were 18 male and 22 female employees. The gender ratio has changed in favour of the female gender compared to 2021.

## AGE STRUCTURE

The average age of the company's employees in 2022 was 41 years.

Age structure of the company's employees as at 31 December 2022<sup>23</sup>



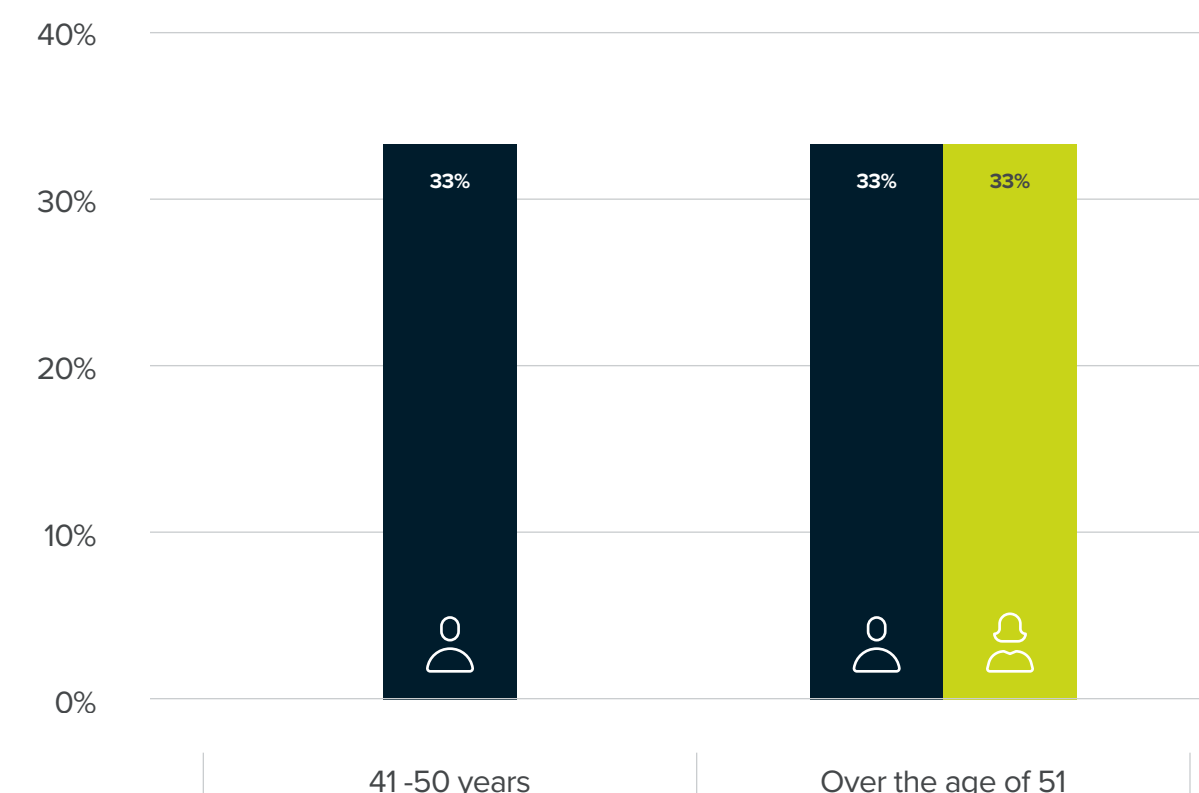
## COMPOSITION OF THE MANAGEMENT BODIES

In 2022, the company consisted of three key pillars: Operations, Business Operations and Business Architecture. Each area is headed by an area director that reports to the company's general manager. The general manager's advisers and other staff in the general manager's cabinet and the Development Competence Centre are accountable to the general manager. In terms of gender, the ratio of employees occupying managerial positions at 31 December 2022 was 2:1 in favour of the male gender.

The age structure of the employees in management positions by gender is shown in the chart, which shows that managers are divided into two age groups.

The company has a fairly diverse gender and age breakdown of its workforce, showing equality and openness to all demographic groups. We want to maintain the trend towards equal opportunities in the future.

Age and gender breakdown of employees holding managerial positions in the company<sup>24</sup>



## EDUCATIONAL STRUCTURE

Educational structure<sup>25</sup>

LEVEL	TITLE OF PROFESSIONAL QUALIFICATION	2021	SHARE (%)	2022	SHARE (%)
VIII/2	Doctorate	1	2,5	1	2,5
VIII/1	Master's degree	3	7,5	3	7,5
VII	University degree	26	65	25	60
VI/2	3-year higher professional education	9	22,5	9	25
VI/1	Higher professional education	1	2,5	1	2,5
V	Secondary education	0	0	1	2,5
<b>Total</b>		<b>40</b>	<b>100</b>	<b>40</b>	<b>100</b>

The educational structure has changed minimally compared to the previous year, due to departures and new employments.

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<sup>23</sup> As at 31 December 2022.

<sup>24</sup> As at 31 December 2022.

<sup>25</sup> As at 31 December 2022.





# EMPLOYEE DEVELOPMENT<sup>26</sup>

## EMPLOYEE TRAINING

Each year, we carefully prepare an annual training plan, which covers the training needs of our employees, following the company's strategic and operational objectives. The training plan is tailored to each individual in terms of content and value, taking into account individual preferences that are aligned with the company's objectives. Almost all employees have therefore participated in various seminars, courses, trainings and conferences both in-house and at external locations during 2022. There were no differences in participation by gender, age or position in the company, as education and training is aligned with the needs and competencies of the job position, the objectives set and the professional and personal development of the individual, as is also evident from the training hours of the employees.

In 2022, 98% of employees were involved in education and training and 1,042 hours of training were delivered. The total number of hours also includes hours of in-house training, where employees present specific skills and experience to colleagues internally. On average, each employee received 25 hours of training. The number of training hours per employee increased in 2022, due to the ease of delivery of training compared to 2021, when the measures related to pandemic COVID-19 were still in place.

Employees can upgrade and improve their already acquired knowledge and education by further their education while working. At the end of the years, four employees had participated in the ongoing training.

Our employees have also been involved in knowledge transfer as speakers and participants at professional meetings and conferences. Professional literature and memberships in professional associations are also an important aspect of development and education, as is the informal flow of knowledge.

## MOTIVATING EMPLOYEES

We ensure the right level of motivation and commitment by developing employees' competences, through targeted management, targeted two-way communication and other tools. We also pay special attention to non-material forms of rewards, such as involvement in various projects, work groups, etc., which further proactively influence employee engagement.

### Key information on employee training

	2021	2022
Number of participants in training courses	40*	42*
Percentage of employees who have attended training courses	97%**	98%**
Number of training hours	916	1,042
Average number of training hours per employee**	23	25

\* In 2021, one employee was away on sick leave/parental leave. In 2022, two employees were away on sick leave and three employees were absent due to long-term sick leave.

\*\* The percentage is linked to the number of total employees.

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**HUMAN CAPITAL**

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RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR

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# OCCUPATIONAL HEALTH AND SAFETY<sup>27</sup>

Sick leaves taken by the employees in 2022

2022	SICKNESS UP TO 30 DAYS (HOURS)	SICKNESS OVER 30 DAYS (HOURS)	SICKNESS OVER 90 DAYS (HOURS)	CARE OF A FAMILY MEMBER (HOURS)	ACCOMPANYING A FAMILY MEMBER (HOURS)
All employees	2,211	1,152	2,672	183	8
Per employee	54.35	28.32	65.68	4.50	0.20

We integrate innovations in occupational health and safety and fire protection into all our processes and projects. All workplaces have a risk assessment with prescribed measures to ensure adequate employee safety. Risks are periodically assessed and kept at an acceptable level with appropriate safety measures, while enabling employees to work with advanced and human-friendly technology and materials.

We organise regular periodic health checks for employees to monitor their health and capacity to do their job. Excluding the fact that three employees were on long-term sick leave during the year, the Company has a negligibly low sickness absence rate, which is on a downward trend. This is due to the resolution of health and other problems of employees and preventive care for the health of employees. In 2022, working from home also contributed to the reduction in sickness absence, which helped to reduce the potential transmission of various illnesses between employees. The number of hours spent caring for family members has also decreased, due to a change in the age structure of the workforce.

## MOTIVATING EMPLOYEES

As part of health promotion at Borzen, we provide our employees with various activities, as we are aware that spending quality and healthy leisure time has a positive impact on our employees. The company supports the activities of the Borzen Sports Association, which is responsible for organising different recreational sports activities and cultural activities. Given that sporting activities were severely restricted during the COVID pandemic, efforts were made to motivate and encourage our employees to take care of their psycho-physical health by exercising in the fresh air.

## HEALTH PROMOTION

As part of health promotion at Borzen, we provide our employees with various activities, as we are aware that spending quality and healthy leisure time has a positive impact on employees. The company supports the activities of the Borzen Sports Association, which provides recreational sports activities and cultural activities. Given that sporting activities were severely restricted during the pandemic, efforts were made to motivate and encourage employees to take care of their psycho-physical health by exercising in the fresh air.

## FAMILY-FRIENDLY COMPANY

Balancing work and family life is a major challenge, which is why, since 2010, we have been providing our employees with support in this area through a range of measures to facilitate work-life balance, as part of our Family Friendly Company certificate.

## SOCIAL SECURITY FOR YOUNG FAMILIES

A healthy family life is an important element of employee satisfaction, which is why we encourage the use of all forms of parental leave. After returning from parental leave, employees continue their career path in our company and we try to make the transition and reintegration into the workplace as easy as possible.

In this context, we have adopted a measure to reintegrate employees after a prolonged absence as part of our full Family Friendly Company certificate. The measure allows employees to adapt their working hours and gradually take on work responsibilities, making it easier to return to work after a long absence. This makes the return less stressful and the employees and their families happier.

Parental leave can be used by both parents. In 2022, no female employees were on maternity leave, while one female employee was on maternity leave the year before. One employee took paternity leave in 2022, compared with three employees the previous year.

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<sup>27</sup> GRI 403-1, 403-5, 403-6



**Maternity, paternity and parental leave in 2021 and 2022**

	2021	2022
Maternity and parental leave (women)	1	0
Paternity leave (men)	3	1

We try to balance the needs and preferences of our employees within the demands and conditions of their work and ensure a work-life balance. In accordance with the company's internal regulations and the Parental Protection and Family Benefits Act, we provide employees with part-time work, flexible working hours and the use of unpaid leave.

**SOCIAL SECURITY IN MATURE AGE**

We provide all employees with a stimulating inclusion in voluntary supplementary pension insurance for an indefinite period of time, either with the option of participating in the payment of the premium, or with the option without participation. In this way, we primarily want to increase the social security of employees at the time of their retirement.

**Information on supplementary pension insurance in 2021 and 2022**

	2021	2022
Percentage of participants in supplementary pension insurance	100%	100%
Amount of insurance premium (EUR)	64,059.04	79,966.51

In 2021 and 2022, all Borzen employees were covered by voluntary supplementary pension insurance. The amount of the premium charged to Borzen was EUR 79,966.51 in 2022 and EUR 64,059.04 the previous year. The total amount of the premium represents 5.84% of the employee's monthly salary. In determining the percentage of the company's participation, the age of the employee is taken into account, as well as the employee's participation in the payment of the premium.

All employees are also provided with accident insurance against accidents both during their regular working hours and in their time off work.

**COMMUNICATION WITH EMPLOYEES AND ORGANISATIONAL CLIMATE**

**COMMUNICATION WITH EMPLOYEES**

Regular annual interviews with employees are a useful tool for identifying past performance and future competencies. The content of the annual interview is an in-depth discussion of current tasks, performance and results, goals and objectives for the coming period and the employee's personal development and career path.

Employees are kept up-to-date with developments at Borzen via the intranet, e-mail and various formal and informal meetings. Employees are also given the opportunity to actively participate in the creation of the company's objectives, they are able to freely express their opinions and the company maintains an open-door policy.

In the context of internal communication, we also focus on interpersonal communication, which is reflected, among other things, in regular teambuilding programmes.

**ORGANISATIONAL CLIMATE**

From time to time, we analyse the organisational climate and employee engagement in the company. The data from the analysis carried out in 2022 show that the organisational climate and commitment in the company reached a rating of 4.72 (with a maximum rating of 6). Employees identified their attitude towards quality as the highest-ranking criterion (5.12 on a scale with a maximum rating of 6), closely followed by internal relationships (5.01 on a scale with a maximum rating of 6).

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**9 RESPONSIBILITY  
FOR THE NATURAL  
ENVIRONMENT<sup>28</sup>**

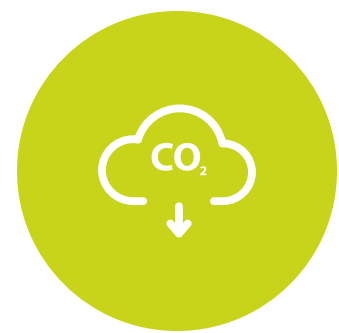
ENVIRONMENTAL INDICATORS

28 GRI 305-1, 305-5



**8,980** km

Total missions travelled



**2,096.44** kg CO<sub>2</sub>e

Greenhouse gas (GHG) emissions

We follow the trends of efficient use in the field of energy, water and raw materials. Borzen is committed to the principles of sustainable development also in the segment of environmental protection, which is directly related to our business. In this respect, Borzen manages the state Support Scheme for environmentally friendly methods of electricity production (RES and CHP) and thus promotes the use of these natural resources, which positively affects the environments, since nearly 1,000 GWh of energy is produced annually within the framework of the Support Scheme in an environmentally friendly way. At the same time, we promote the efficient use of energy and raise awareness and information on sustainable energy.

Sustainability is already part of our everyday lives, but the importance of sustainability and environmental protection will be even stronger tomorrow. In fact, Borzen has been entrusted with responsibilities covering in particular information, awareness-raising, training and the publication of information on the efficient use of energy and renewable energy sources. In this context, we are proud of our activities and the Sustainable Energy brand, which has been working since the end of 2014 to expand and promote knowledge in the field of sustainable energy.

At the company's premises, we are actively involved in raising awareness of nature protection among all employees, separating waste, using recycled materials, saving drinking water and electricity. And because we want to go one step further in this area, we have set out guidelines for improving our carbon footprint in the future, based on our measured carbon footprint.

## ENVIRONMENTAL INDICATORS<sup>29</sup>

The results of the carbon footprint measured a few years place Borzen in the average of comparable Slovenian office companies and slightly above the average of comparable international office companies. Therefore, we also wanted to start discussing the issue and in this way raise awareness first of all employees, as well as our other stakeholders.

Due to the office-based nature of Borzen's activities, we have taken the decision to regularly monitor and measure our carbon footprint in the segment where we as a company have the greatest impact. We have decided to monitor the carbon footprint of business trips made by car. We have taken some measures to reduce emissions in this category as well, which are described in more detail below.

The number of kilometres travelled is slightly up to almost 10,500 kilometres in 2022, compared to nearly 9,000 kilometres in 2021. The increase is mainly attributable to the fact that fewer business trips were made in 2021 due to various restrictive measures related to the COVID-19 pandemic. The increase in kilometres travelled and the consequent increase in emissions compared to 2021 still resulted in fewer kilometres travelled in 2022 than in the years preceding the pandemic. Many meetings, gatherings and trainings were still conducted remotely, which had a positive impact on emissions.

### Carbon footprint and kilometres travelled by car for business travel

	2021	2022
Total mission travelled (in kilometres)	8,980	10,426
GHG emissions (in kg CO <sub>2</sub> e)	2,096.44	2,433.99

<sup>29</sup> GRI 302-1, 302-3, 302-4

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We promote a proactive approach to reducing our carbon footprint. We aim to involve as many interested employees as possible in the design and implementation of the strategy and activities, thereby increasing the effectiveness of the project.

We understand that raising awareness and informing employees through a variety of communication channels is the basis on which ultimate success and the achievement of objectives depend. We

have therefore taken certain measures at the action level, but in particular we believe that it is most useful for our company to monitor the reduction of emissions at the expense of business travel, as other indicators are more difficult and less directly influenced (e.g. commuting) or, in some cases, more difficult to monitor their changes (e.g. electricity, heat, water).

**Measures to reduce the carbon footprint of business travel**

<b>MEASURE</b>	<b>REDUCING THE CARBON FOOTPRINT</b>	<b>COST REDUCTION</b>	<b>RAISING AWARENESS AMONG EMPLOYEES</b>
Reduction in travel requirements due to meetings held at Borzen's headquarters	++	++	+
Encouraging the use of teleconferences	++	+++	++
Combining and general optimisation of travel	+	+	++
Compulsory use of a company car for business travel	++	+++	

\* The potential was scored as + (low potential), ++ (medium potential) and +++ (high potential).

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# 10 INTELLECTUAL CAPITAL



EUR **382** thousand

Value of intangible assets (software)



EUR **107** thousand

Amount of investments in intangible assets in 2021

The key elements of the company's intellectual capital are the procedures, policies, processes and records of individual activities within business processes that ensure workflows function properly, regardless of a potential employee turnover.

The **core procedures of the market operator in recording contracts and operating forecasts** should be highlighted, since that leads to the preparation of an indicative timetable for the electricity system and **balance accounting procedures** that redistribute the costs of balancing (and thus maintaining) the electricity system. In the key applications, procedures and instructions are described, as well as contingency **plans and protocols for dealing with crisis situations**.

Some **mechanisms for providing information on ethical and other lawful conduct and content** relating to organisational integrity derive from legal bases, such as the Energy Act. Pursuant to the Access to Public Information Act, the company has a publicly published **Catalogue of Public Information** on its website, the contact of the official responsible for providing public information and other information.

**The application for recording closed contracts and operational forecasts** is an IT solution comprising a desktop administration interface and a web-based user interface. The user interface allows for the registration of closed contracts and operational forecasts by the balance group responsible parties and the overview of imbalances and unharmonised closed contracts with other partners. The administrator interface allows Borzen to have a comprehensive overview of the data entered and to manage the Balance Scheme and the users. It is used on a daily basis, since one of the tasks of the Market Operator is the production and transmission of the electricity network schedule for the next day to the transmission system operator.

**IBIS++** is a comprehensive IT solution for the management of the imbalance settlement. The core desktop application IBIS++ is designed for the integrated management of all input data received by the Market Operator from the electricity operators and the members of the Balance Scheme for the execution of the calculation of the imbalance settlement and annual recalculation of the imbalance settlement and all related documents, reports and data for the members of the Balance Scheme and the Energy Agency. A module for the electronic exchange of data

via web services with all participants has also been integrated into the solution. The IBIS++ solution also includes a **web portal of the Market Operator (hereinafter: the OT Portal)**, which is divided into a public and a private part. The public part of the portal displays all the relevant data of the electricity market in Slovenia, while the private part is reserved for the members of the Slovenian Balance Scheme. Registered users have access to data and reports related to the imbalance settlement process of each member, while the OT Portal also allows direct editing of some other procedures (commenting on the imbalance settlement, communicating changes to contact persons, setting various reminders, etc.).

**Delfi** is a web-based application used to perform high-quality short- and long-term forecasts of electricity generation from distributed sources (RES and CHP). It is designed to be a powerful and reliable application that allows for the rapid implementation of even complex forecast models for different types of production technologies. The application allows certain forecast models to be adjusted and improved by changing the parameters or coefficients of the models, so that the quality of the forecasts themselves can be continuously improved. In addition, the application is built in such a way that new forecast models can be easily built in, either at the level of a group of production units (depending on the technology) or even at the level of a single production unit. It also features a powerful analytical module that allows the quality of the forecast models to be monitored, the use of different forecast models to be simulated for different historical periods etc. The input validation logic is also built in to prevent poor quality input data (especially quarter-hourly measurements for the previous day) from affecting the results of the forecast models. The application thus enables a fast, efficient and controlled implementation of the process of daily forecasting of production from dispersed sources.

Other applications (e.g. **RRM - REMIT, Registry of the Guarantees of Origin**) and the **ISO 27001 Information Security and Maintenance Policy**, the development and upgrading of IT systems through in-house operational experience and knowledge of energy regulations and legislation, the implementation of a human resources policy and regular analyses of satisfaction among users of the services can also be mentioned here.

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# 11 RISK AND OPPORTUNITY MANAGEMENT<sup>30</sup>

RISK MANAGEMENT

OPPORTUNITY MANAGEMENT

<sup>30</sup> GRI 102-11, 102-15



# RISK MANAGEMENT

As a public utility, we are primarily bound by our regulatory environment, which has a strong impact on all categories of perceived risks. Pursuant to the Comprehensive Risk Management Policy, the company reports on its exposure to key risks and the measures taken to manage them, significant changes in exposure to particular risks and other relevant information in the area of risk management.

## DETERMINING THE CONSEQUENCES/DAMAGE (IMPACT)

The consequences of risks include the possible outcomes of an event. Consequences can be positive or negative and are evaluated in relation to the achievement of objectives.

### Determination of consequences/damage (impact)

VALUE	SCALE OF IMPACT	MEASURE, REVENUE, EXPENSES, PAYMENTS, SENSITIVITY, ETC.
4	SEVERE	Financial impact is greater than 50% of the company's operating income/expenditure, mission and core activities are threatened, threat of litigation, loss of trust, suspension of activities and competences.
3	SIGNIFICANT	Financial impact ranges from 25% to 50% of the company's revenue/expenditure, need to change plans, change organisation, major impact on stakeholder satisfaction, and long-term loss of reputation.
2	MODERATE	Financial impact ranges from 10% to 25% of company's revenue/expenditure, reorganisation of activities required, moderate impact on stakeholder satisfaction, short-term loss of reputation.
1	MINOR	Financial impact is less than 10% of the company's revenue/expenditure, low impact on stakeholder satisfaction.

The criteria for assessing the consequences of risks arise from two parts, namely:

1. Significance of the impact on the operation (materiality principle) – **quantitative**:
  - a. Significance of costs in the profit (participation in% of costs or expenses),
  - b. Significance of revenue (percentage of service etc. in all revenues),
  - c. Significance of assets (size of investment, value of the assets in the imbalance settlement),
  - d. Significance in terms of the number of employees involved in the processes (also related to costs).
2. Sensitivity of the area – **qualitative**:
  - a. Significant changes (e.g. new investments, organisational changes),
  - b. Importance in terms of stakeholders' satisfaction,
  - c. Impact on service quality,
  - d. Personnel and their knowledge,
  - e. Integrity of IT support,
  - f. Protection of personal data,
  - g. Control area,
  - h. Reputation of the company.

## DETERMINING THE PROBABILITY

How likely it is that an event will happen, and how often:

Criteria for assessing the probability of occurrence of a negative event or loss of opportunity

VALUE	RATING	CRITERION
4	VERY LIKELY	Probability above 75%
3	LIKELY	Probability between 50% and 75%
2	POSSIBLE	Probability between 25% and 50%
1	UNLIKELY	Probability less than 25%, small possibility of realisation

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## RISK LEVEL (SEVERITY OF RISK)

The level of risk is calculated by multiplying the assessment of the likelihood of risk occurrence and the assessment of the consequences or possible damage.

**Risk level = possible risk X probability**

The significance of the risk is demonstrated by the risk matrix below.

Risk matrix

		PROBABILITY			
		Almost certainly 4	Most likely 3	Possibly 2	Low probability 1
IMPACT	Severe 4	16	12	8	4
	Significant 3	12	9	6	3
	Moderate 2	8	6	4	2
	Minor 1	4	3	2	1

Risk managers actively monitor and assess all risks identified in the interoperable risk catalogue, propose corrective actions and report to the Supervisory Board.

Below we present the key perceived risks within the systematised risk groups to which we estimate that we will continue to be exposed in the coming period.

## STRATEGIC/BUSINESS RISKS

Strategic or business risks are related to the successful implementation of the company's strategy and strategic objectives, the ability to generate short and long term business income, and the preservation of the value of the company's assets and reputation. These risks are related to changes in legal and regulatory provisions and environmental influences and, depending on these, the company's organisation, the activities it carries out and the constraints on its business.

Strategic risks also include investment risk related to the investment in BSP Energetska Borza d.o.o., in which Borzen still held a 50% ownership stake in 2022. This is mainly a risk related to the management of the investment, which was addressed by the shareholders by coordinating with each other on the management and further development of the company.

Other business risks include investment and procurement risks, which are managed by continuously improving the quality of the preparation, execution, activation and monitoring of investments and procurement processes.

## OPERATIONAL RISKS

Operational risks relate to damage caused by inadequately implemented internal processes, employee misconduct, IT failures and poor quality outsourced services. The identification and management of operational risks is of paramount importance for the success of the company's business, as efficient internal processes, professionally trained, experienced and motivated employees are the guarantee for the prevention of operational risks and for the correct and efficient adjustment of the business in any economic situation.

Risks in the information system include the potential for disruptions to application and system software, hardware, communications and network connections in the system, and we pay particular attention to risks related to information security.

Risks are mitigated mainly through redundant independent fibre optic links between sites, synchronous data replication and backup and periodic IT system security reviews in line with the business continuity plan. The impact of the human factor on the IT system is managed through regular training of professional staff and all company employees, as well as through the supervision of external contractors in accordance with specific internal protocols.

The collection and exchange of business and personal data has increased significantly. Technology is enabling private companies and public authorities to use data to achieve their objectives on an unprecedented scale. Individuals are increasingly making personal data available both publicly and globally. Technology has transformed both the economy and social life and should continue to facilitate the free flow of personal data within the EU and transfers to third countries and international organisations, while ensuring a high level of protection of business and personal data.

We have successfully passed our annual certification audit regarding the ISO/IEC 27001:2013 standard for information security management systems, demonstrating that we adequately manage information risks and provide quality protection for our business processes.

The company's Legal Department is actively involved in reviewing laws and regulations, checking current case law and reporting on relevant regulations, judicial cases and legal news on a monthly basis. There is still a risk of certain support beneficiaries who have been found to be in breach by the Energy Agency and have been overpaid in support.

The human resources function, or human resources management, is an important element of risk management. The objective is to have sufficient, appropriately structured, motivated, professionally qualified and satisfied employees. HR risks are mitigated by maintaining good communication with employees, improving working conditions, organising work appropriately, effectively and diligently implementing activities related to training, education and employee development (preparation and organisation of training,

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selection and training of providers, evaluation of training and providers, professional assistance in conducting annual interviews, analysis of results, etc.), rewarding employees appropriately, and complying with labour legislation.

The HR function is primarily the responsibility of management, with the expert support of the HR Specialist. In the last months of the year, the HR function was exposed to an increased risk of sub-optimal performance of the HR function due to the absence of the colleague who was introduced in this function, and her tasks have been appropriately distributed among other staff.

During the reporting period, we provided up-to-date and professional answers to the media, thus maintaining appropriate relations. We provided the media and the general public with up-to-date information on the Company's business through various publications, mainly on the company's website. Through the daily monitoring of media publications, we have not detected any negative publications about the company or its activities. We intend to pursue this course also in the future.

Other operational risks are mitigated by clearly defined procedures and roles, responsibilities and authorities of employees and adopted policies.

### Financial/market risks

The Market Operator's task is to monitor the situation on the financial markets and to strive for short and long term solvency and to conduct its business in accordance with the Rules, which dictate the Market Operator's deadlines and obligations to make payments. Financial risk management pursues the objectives of stable operations, control of financial expenses within planned limits and long-term solvency.

The management of these risks is important to ensure better liquidity and consistency of cash flows between inflows and outflows. The risk of non-fulfilment of financial obligations is more acute in the settlement of the RES+CHP contribution obligations

due to the greater diversification of debtors and the risk is managed without any major specificities in line with the agreed procedures for the collection of overdue obligations. On the financial settlement side of the imbalance settlement, we manage the default risk by calculating the financial coverages we require from the financial settlement participants based on their exposure calculation, but we are constrained by the Rules on the Operation of the Electricity Market in setting the amount of the additional coverages.

The liquidity risk defines the ability to provide sufficient funds for a prompt settlement of due liabilities. Borzen ensures the highest possible financial liquidity by ensuring that it has sufficient liquid funds available at all times for settling due liabilities within the deadline and separately managing the assets under management. The company plans its short-term solvency on a daily basis by monitoring cash flows and carefully planning inflows and outflows on a monthly/weekly basis. The company also has a system in place to manage and optimise short-term cash surpluses. At the same time, we ensure diversification of financial investments, matching the maturity of receivables and payables and their consistent collection. In 2022, the company did not face any difficulties in securing sufficient funds to settle the company's maturing liabilities on a timely basis.

### Legislative risks

Legislative risk relates to changes in and uncertainty of regulations over which the company has no direct influence.

While Borzen is actively monitoring current regulatory changes that could pose a risk to its operations, it is also actively monitoring/exploiting the opportunity for new activities, while recognising the need to secure an adequate systemic source of funding.

At the time of reporting, the Rules on the Operation of the Electricity Market and the Rules on the organisation of the Market

Operator's platform for balancing energy have been adopted and published. New Rules for the Operation of the Centre for RES/CHP Support have also been prepared.

In relation to the market situation, several activities were carried out to monitor the situation and to detect potential problems (additional internal reviews, preparation of reports, requests for information to the members of the Balance Scheme, recalculation of financial coverages, informal and formal communication with systemic actors, procedures for securing claims on a commercial basis, etc.). In November, another member of the Balance Scheme and its subgroup were excluded from the Balance Scheme due to bankruptcy. The coverages after the November 2022 imbalance settlement are sufficient to cover the liabilities and will be withheld until the 2023 recalculation is executed.

The New Act on the Promotion of the Use of Renewable Energy Sources (ZSROVE) foresees a separate public utility service of the Centre for Support, which is assigned to Borzen by the law itself (pending a possible new concession procedure). Overall, the Act introduces a number of new tasks for Borzen, i.e. the establishment of a single point of contact, the extension of support and guarantees of origin). The Electricity Supply Act (ZOEE) was also adopted and entered into force. The final provision are also largely favourable to Borzen, with the exception of the aforementioned division of the public utility.

In the third quarter of 2022, we submitted the new Rules for the operation of the Centre for RES/CHP Support to the Ministry of Infrastructure for further consideration. The new Rules on the Operation of the Electricity Market have been adopted and entered into force on 1 January 2023. The new Rules on the organisation of the Market Operator's platform have also been prepared and adopted and entered into force on 1 January 2023.

As in the past, we will try to influence regulatory risk by actively monitoring regulatory activities and making suggestions and comments on solutions.

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# OPPORTUNITY MANAGEMENT

In 2022, Borzen continued its initiative to substantially work towards the development of the market and the transposition of the provisions of the **CEP ("Clean Energy for All Europeans") legislative package** into the Slovenian legal order. The key activities were mainly focused on the new balance billing model and the integration of the independent aggregator concept into the electricity market. The key activities were mainly focused on the new imbalance settlement model and the integration of the independent aggregator concept into the electricity market. In the latter case, Borzen has already regulated the basic provision in the Rules on the Operation of the Electricity Market (Official Gazette of the Republic of Slovenia, No 74/18), which entered into force on 1 January 2019, and in 2022, the preparation of the new imbalance settlement model was completed, which was implemented in the new Rules on the Operation of the Electricity Market (Official Gazette of the Republic of Slovenia, No 163/22), which entered into force on 1 January 2023.

Four development projects were active in 2022: BD4NRG, NEDO-Fleks, FARCROSS and STREAM.

**The NEDO-Fleks project**, which started in mid-2019 and was successfully concluded in April 2022, addressed the problem of resilience and sustainability of the electricity system and smart communities. Borzen was tasked with studying the impact of battery storage participation in the power system's automatic frequency regulation on the imbalance settlement and upgrading the aggregation and trading platform. In this context, the project was also important for Borzen in terms of the development of a new imbalance settlement model, as well as the future operation of the electricity system, in which electricity storage will play an increasingly important role. The project has developed a battery storage control system, advanced algorithms for the Wide Area Management System (and Control), new modules to

the Energy Management System (EMS), an information platform and an upgraded market flexibility platform, which will enable sustainable development, more reliable electricity supply in emergency situations, efficient use of energy, multifunctional use of equipment and maximum integration of prosumers in the electricity markets.

**The FARCROSS project** is part of the Horizon 2020 programme and started in October 2019, with a duration of four years. The main purpose of the project is to optimise the use of physical (cross-border) electricity infrastructure with the aim of developing solutions, including both physical interventions and process changes, to maximise the possible power flows on the same physical infrastructure (cross-border lines). It is important for Borzen as it addresses an important element of the functioning of the EU internal market, e.g. optimising the use of cross-border infrastructure.

**The BD4NRG project** is also implemented under Horizon 2020 and addresses various aspects of big data, which may include, for example the issue of aggregators, which is one of the key elements of the upcoming change in the market model (also) as a result of the "Clean Energy for All Europeans" package. It is similar in content to the completed PACT and NEDO-fleks projects.

**The STREAM project** is implemented under the Horizon Europe programme and it started in October 2022, with a duration of four years. The project aims to set up an innovative "resilience" ecosystem on the low-voltage side of the grid, with the key added value of developing new resilience-related business models. Borzen's task will include the preparation of the framework for the creation of a national flexibility register for all generation units involved in the project.

Regarding the investments in 2022, certain adjustments, updates and upgrades were made to the scheduling application, the Market Operator portal, the RRM - REMIT reporting application and the REP-AGEN applications. Both firewalls and the web access router were replaced and the digital certificate system was updated.

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# 12 COMPLIANCE WITH THE GRI SUSTAINABILITY REPORTING GUIDELINES<sup>31</sup>

GRI CONTENT INDEX

<sup>31</sup> GRI 102-46, 102-49, 102-50, 102-52, 102-53, 102-54

**Borzen's report has been prepared in accordance with the principles of sustainable reporting and in accordance with the GRI Standards (Global Reporting Initiative Standards). The scope and basis of the report and the selection of indicators derive from the activity we perform (electricity market operator), and the key contents were determined and prepared by the competent within the company and the relevant stakeholder group. The general manager, senior management and relevant employees participate in the preparation of consolidated financial statements.**

The report comprises reporting in accordance with the GRI Standards guidelines at the "basic level" and presents key information on the management, economic, environmental and social relationship and their long-term impact on the company's operations. All six GRI standards were used to prepare the report and determine the content: GRI 101 (Reporting Basis), GRI 102 (General Standard Disclosures), GRI 103 (Management Approach), GRI 200 (Economic Area), GRI 300 (Environment) and GRI 400 (Company).

To provide a high quality of the report, we followed the principles of balance, comparability, accuracy, clarity and reliability of data. The report provides relevant information and contributes to greater transparency of sustainable operations. The most important contents and disclosures that we report on are:

- participation folder and relationship and cooperation with individual stakeholders,
- a transparent presentation of the competitive environment, achievements, risks and opportunities,
- cooperation with the wider social environment and environmental protection.

The report presents an overview of operations in the period from 1 January to 31 December for the previous year. Questions regarding the annual report and its compliance with the GRI Sustainable Reporting Guidelines can be sent to us at the following e-mail address: [info@borzen.si](mailto:info@borzen.si).

The further development of the company's reporting will follow the frameworks of comprehensive thinking and comprehensive reporting.

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## GENERAL DISCLOSURE STANDARD

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
<b>GRI 101: Base</b>				
<b>GRI 102: General disclosures</b>				
<b>Organisational profile</b>				
102-1	Name of the organisation	Identity card	14	
102-2	Activities, brands, products and services	Vision, mission and business model Production capital, Relationship with the market	16 36, 39	
102-3	Location of headquarters	Identity card	14	
102-5	Ownership and legal form	Vision, mission and business model Corporate governance	14, 16 21	
102-7	Scale of the organisation	2022 in review Human capital	4 69	
102-8	Information on employees and other workers	Human capital	69	
102-11	Precautionary Principle or approach	Risk and opportunity management	81	
102-12	External initiatives	Corporate Governance Statement	23	
102-13	Membership of associations	International stakeholders	67	
<b>Strategy</b>				
102-14	Statement from senior decision-maker	Letter from the General Manager	9	
102-15	Key impacts, risks and opportunities	Risk and opportunity management	81	
<b>Ethics and integrity</b>				
102-16	Values, principles, standards and norms of behaviour	Vision, mission and business model Corporate Governance Statement	16 23	
102-17	Mechanisms for advice and concerns about ethics	Human capital, Respect for ethical principles and norms of behaviour, Other stakeholders	67, 70	

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<sup>32</sup> GRI 102-55





INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
<b>Governance</b>				
102-18	Governance structure	Corporate governance	21	
102-22	Composition of the highest governance body and its committees	Corporate governance	21	
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups	Production capital	36	
102-42	Identifying and selecting stakeholder	Production capital	36	
102-43	Approach to stakeholder engagement	Production capital	36	
102-44	Key topics and concerns raised	Production capital	36	
<b>Reporting practice</b>				
102-45	Entities included in the consolidated financial statements	Corporate Governance Statement	23	
102-46	Defining report content and topic boundaries	Summary of results Compliance with the GRI sustainability reporting guidelines	29 86	
102-47	List of material topics	Vision, mission and business model	16	
102-49	Changes in reporting	Compliance with the GRI sustainability reporting guidelines	86	
102-50	Reporting period	Compliance with the GRI sustainability reporting guidelines	86	
102-51	Date of most recent report	Corporate governance, Shareholder	26	At the second general meeting in 2022, the Annual Report of Borzen for the financial year 2021 was adopted by the shareholder.
102-52	Reporting cycle	Compliance with the GRI sustainability reporting guidelines	86	
102-53	Contact point for questions regarding the report	Compliance with the GRI sustainability reporting guidelines Contact information	86 123	
102-54	Claims of reporting in accordance with the GRI Standards	Compliance with the GRI sustainability reporting guidelines	86	
102-55	GRI content index	GRI content index	88	

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## SPECIFIC STANDARD DISCLOSURES

INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
<b>ECONOMIC IMPACTS</b>				
<b>GRI 201: Economic Performance</b>				
103-1, 103-2, 103-3	Management approach			
201-1	Direct economic value generated and distributed	Highlights of the year Notes to the financial statements	4 111	
201-3	Defined benefit plan obligations and other retirement plans	Human capital	69	
<b>ENVIRONMENTAL IMPACTS</b>				
<b>GRI 302: Energy</b>				
103-1, 103-2, 103-3	Management approach			
302-1	Energy consumption within the organisation	Responsibility for the natural environment	77	We report on fuel consumption, other indicators are not relevant for Borzen.
302-3	Energy intensity	Responsibility for the natural environment	77	We report on fuel consumption, other indicators are not relevant for Borzen.
302-4	Reduction of energy consumption	Responsibility for the natural environment	77	Energy consumption activities are presented in general terms.
<b>GRI 305: Emissions</b>				
103-1, 103-2, 103-3	Management approach			
305-1	Direct GHG emissions	Responsibility for the natural environment	76	
305-5	Reduction of GHG emissions	Responsibility for the natural environment	76	
<b>SOCIAL IMPACTS</b>				
<b>GRI 401: Employment</b>				
103-1, 103-2, 103-3	Management approach			
401-1	New employee hires and employee turnover	Human capital	69	
401-3	Parental leave	Human capital	69	

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INDICATOR	DISCLOSURE	CHAPTER	PAGE	COMMENT
<b>GRI 403: Occupational health and safety</b>				
103-1, 103-2, 103-3	Management approach			
403-1	Occupational health and safety management system	Human capital, Occupational health and safety	69, 74	
403-5	Worker training on occupational health and safety	Human capital, Occupational health and safety	69, 74	All employees are required to undergo occupational health and safety training by law.
403-6	Promotion of worker health	Human capital, Occupational health and safety	69, 74	
<b>GRI 404: Training and education</b>				
103-1, 103-2, 103-3	Management approach			
404-1	Average hours of training per year per employee	Human capital, Employee development	69, 73	
<b>GRI 405: Diversity and equal opportunity</b>				
103-1, 103-2, 103-3	Management approach			
405-1	Diversity of governance bodies and employees	Corporate governance Human capital, HR indicators	21 71	The structure of the workforce has changed in 2022 in favour of the female gender.
405-2	Ratio of basic salary and remuneration of women to men	Human capital, HR indicators	71	We implement the principle of equal pay for all workers.
<b>GRI 406: Non-discrimination</b>				
103-1, 103-2, 103-3	Management approach			
406-1	Incidents of discrimination and corrective actions taken			
<b>GRI 413: Local communities</b>				
103-1, 103-2, 103-3	Management approach			
413-1	Operations with local community engagement, impact assessments and development programmes	Production capital, Relations with stakeholders	36, 63	

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**13** FINANCIAL REPORT  
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**The scope of the individual activities carried out by Borzen, d.o.o. is governed by the Slovenian Accounting Standards (SRS 35).**

In accordance with Article 8 of the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (Official Gazette of the Republic of Slovenia, No 33/11), the Supervisory Board of Borzen adopted the Rules and selection criteria for the separate recording of business events by individual activities (hereinafter: Rules on selection criteria) at its 17<sup>th</sup> meeting held on 21 December 2022 and on a proposal by the company’s general manager. The document regulates the allocation of indirect costs of labour, material and services and the allocation of revenue not directly attributable to an individual activity. In accordance with the Rules on selection criteria, the company’s business is recorded as follows:

1. The performance of the public service activity consisting of the performance of the concession contract (hereinafter: public utility service) is kept separate from the performance of the commercial and non-regulated activities (hereinafter: commercial activity).
2. Within the public utility service, two public services are carried out, namely:
  - Market Operator,
  - Centre for Support.

Indirect costs and income are allocated by activity on the basis of **the direct labour cost ratio**. This criterion is then used to determine the cost allocation keys in order to determine the share of direct labour costs of each activity, service or business/output unit in total direct labour costs. The keys, established on the basis of the criterion, determined and applied in 2022, are as follows:

**General keys for 2022**

	ACTIVITY		
	Market Operator	Centre for Support	Commercial activity
Key	62.19 %	28.45 %	9.36 %

Borzen presents the income statement separately for the activities of the Market Operator, the Centre for Support, the information and awareness-raising programme and commercial activities.

Based on the above keys, the company shows a net profit of EUR 3,513,616 in 2022, of which:

- the public utility service of the Market Operator shows a profit of EUR 1,968,743,
- the public utility service of the Centre for Support shows a profit of EUR 1,320,738, within which the activities related to the information and awareness-raising programme are conducted according to the principle of cost reimbursement by the Eco Fund,
- the commercial activity shows a profit of EUR 224,135.

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# INCOME STATEMENT BY ACTIVITY FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

Income statement by activity from 1 January 2022 to 31 December 2022

in EUR

ITEMS	BORZEN TOTAL	MARKET ORGANISATION	CENTRE FOR SUPPORT	INFORMATION AND AWARENESS-RAISING	COMMERCIAL ACTIVITY
<b>1. NET TURNOVER</b>	<b>4,524,108</b>	<b>2,656,848</b>	<b>1,025,239</b>	<b>449,714</b>	<b>392,307</b>
a. Revenue from the Market Operator's activities	1,616,420	1,616,420	0	0	0
b. Revenue from the recording of closed contracts	973,863	973,863	0	0	0
c. Other Market Operator turnover	66,042	66,042	0	0	0
d. Revenue from the Centre for Support	850,000	0	850,000	0	0
e. Revenue from the implementation of the Single Point of Contact	175,000	0	175,000	0	0
f. Revenue from BSP	155,647	0	0	0	155,647
g. Revenue from the information and awareness-raising activity	449,714	0	0	449,714	0
h. Revenue from the RRM - REMIT service	193,334	0	0	0	193,334
i. Additional revenue under the Act on the Promotion of the Use of Renewable Energy Sources	43,247	0	0	0	43,247
j. Other turnover	841	523	239	0	79
<b>2. OTHER OPERATING INCOME</b>	<b>89,786</b>	<b>55,316</b>	<b>26,235</b>	<b>0</b>	<b>8,235</b>
<b>TOTAL OPERATING INCOME</b>	<b>4,613,894</b>	<b>2,712,164</b>	<b>1,051,474</b>	<b>449,714</b>	<b>400,542</b>
<b>3. COSTS OF MATERIALS AND SERVICES</b>	<b>1,434,711</b>	<b>658,559</b>	<b>338,620</b>	<b>283,831</b>	<b>153,701</b>
a. Costs of materials	88,407	57,065	22,044	2,188	7,110
b. Costs of services	1,346,304	601,494	316,576	281,643	146,591
<b>4. LABOUR COSTS</b>	<b>2,884,366</b>	<b>1,793,788</b>	<b>664,315</b>	<b>156,288</b>	<b>269,975</b>
a. Wage costs	2,121,809	1,319,553	498,790	104,865	198,601
b. Pension costs	273,584	170,142	48,085	29,750	25,607
c. Costs of other social insurances	160,059	99,541	23,864	21,673	14,981
d. Other labour costs	328,914	204,552	93,576	0	30,786

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ITEMS	BORZEN TOTAL	MARKET ORGANISATION	CENTRE FOR SUPPORT	INFORMATION AND AWARENESS-RAISING	COMMERCIAL ACTIVITY
<b>5. WRITE-DOWNS</b>	<b>382,386</b>	<b>235,316</b>	<b>88,324</b>	<b>9,595</b>	<b>49,151</b>
a. Depreciation	382,386	235,316	88,324	9,595	49,151
b. Revaluation expenses on working capital	0	0	0	0	0
<b>6. OTHER OPERATING EXPENSES</b>	<b>21,443</b>	<b>13,862</b>	<b>5,727</b>	<b>0</b>	<b>1,854</b>
TOTAL OPERATING EXPENSES	4,722,906	2,701,525	1,096,986	449,714	474,681
<b>OPERATING PROFIT</b>	<b>-109,012</b>	<b>10,639</b>	<b>-45,512</b>	<b>0</b>	<b>-74,139</b>
7. FINANCIAL REVENUE	3,882,246	2,087,949	1,481,579	0	312,718
8. FINANCIAL EXPENSES	111,956	38,003	73,332	0	621
<b>NET PROFIT FROM REGULAR OPERATIONS</b>	<b>3,661,278</b>	<b>2,060,585</b>	<b>1,362,735</b>	<b>0</b>	<b>237,958</b>
9. OTHER REVENUE	30	0	30	0	0
10. OTHER EXPENSES	1,013	622	297	0	94
TOTAL ALL REVENUE	8,496,170	4,800,113	2,533,083	449,714	713,260
TOTAL ALL EXPENSES	4,835,875	2,740,150	1,170,615	449,714	475,396
<b>TOTAL PROFIT</b>	<b>3,660,295</b>	<b>2,059,963</b>	<b>1,362,468</b>	<b>0</b>	<b>237,864</b>
11. INCOME TAX	38,860	24,167	11,056	0	3,637
12. DEFERRED TAX	107,819	67,053	30,674	0	10,092
<b>NET PROFIT FOR THE ACCOUNTING PERIOD</b>	<b>3,513,616</b>	<b>1,968,743</b>	<b>1,320,738</b>	<b>0</b>	<b>224,135</b>

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# BALANCE SHEET AS AT 31 DECEMBER 2022 SHOWING ASSETS UNDER MANAGEMENT

Balance sheet as at 31 December 2022 with assets under management shown separately

in EUR

DESCRIPTION	BORZEN TOTAL	BORZEN PUBLIC UTILITY EXCLUDED	CENTRE FOR SUPPORT	BALANCE SCHEME
<b>ASSETS</b>	<b>392,216,876</b>	<b>12,665,784</b>	<b>355,103,127</b>	<b>24,447,965</b>
<b>A. LONG-TERM ASSETS</b>	<b>74,528,116</b>	<b>2,528,116</b>	<b>72,000,000</b>	<b>0</b>
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	483,963	483,963	0	0
II. PROPERTY, PLANT AND EQUIPMENT	2,019,742	2,019,742	0	0
1. Land and buildings	1,607,951	1,607,951	0	0
2. Other plant and equipment	411,791	411,791	0	0
III. LONG-TERM FINANCIAL INVESTMENTS	72,000,000	0	72,000,000	0
1. Other long-term financial investments	72,000,000	0	72,000,000	1,
IV. DEFERRED TAX RECEIVABLES	24,411	24,411	0	0
<b>B. SHORT-TERM ASSETS</b>	<b>317,600,154</b>	<b>10,049,062</b>	<b>283,103,127</b>	<b>24,447,965</b>
I. SHORT-TERM FINANCIAL INVESTMENTS	274,000,000	6,000,000	268,000,000	0
II. SHORT-TERM OPERATING RECEIVABLES	26,468,758	886,251	11,129,655	14,452,852
1. Short-term operating receivables due from customers	24,919,475	529,934	10,645,063	13,744,478
2. Short-term operating receivables due from others	1,549,283	356,317	484,592	708,374
III. CASH AND CASH EQUIVALENTS	17,131,396	3,162,811	3,973,472	9,995,113
<b>C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE</b>	<b>88,606</b>	<b>88,606</b>	<b>0</b>	<b>0</b>
Off-balance sheet assets	9,008,020	9,008,020	0	0

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DESCRIPTION	v EUR			
	BORZEN TOTAL	BORZEN PUBLIC UTILITY EXCLUDED	CENTRE FOR SUPPORT	BALANCE SCHEME
<b>LIABILITIES</b>	<b>392,216,876</b>	<b>12,665,784</b>	<b>355,103,127</b>	<b>24,447,965</b>
<b>A. EQUITY</b>	<b>9,666,199</b>	<b>9,666,199</b>	<b>0</b>	<b>0</b>
I. CALLED-UP CAPITAL	1,963,279	1,963,279	0	0
1. Share capital	1,963,279	1,963,279	0	0
II. CAPITAL RESERVES	395	395	0	0
III. REVENUE RESERVES	4,185,407	4,185,407	0	0
1. Legal reserves	196,328	196,328	0	0
2. Other revenue reserves	3,989,079	3,989,079	0	0
IV. REVALUATION ADJUSTMENTS SURPLUS	4,241	4,241	0	0
V. RETAINED EARNINGS	-739	-739	0	0
VI. NET PROFIT (OR LOSS) FOR THE FINANCIAL YEAR	3,513,616	3,513,616	0	0
<b>B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE</b>	<b>257,178</b>	<b>257,178</b>	<b>0</b>	<b>0</b>
<b>C. SHORT-TERM LIABILITIES</b>	<b>382,216,979</b>	<b>2,665,887</b>	<b>355,103,127</b>	<b>24,447,965</b>
I. SHORT-TERM FINANCIAL LIABILITIES	1,750,000	1,750,000	0	0
II. SHORT-TERM OPERATING LIABILITIES	380,466,979	915,887	355,103,127	24,447,965
1. Short-term operating liabilities to suppliers	19,375,409	476,979	7,026,844	11,871,586
2. Other short-term operating liabilities	361,091,570	438,908	348,076,283	12,576,379
<b>D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>76,520</b>	<b>76,520</b>	<b>0</b>	<b>0</b>
Off-balance sheet assets	9,008,020	9,008,020	0	0

The table shows separately the items relating to the assets and the liabilities to the sources of those assets that are held by Borzen exclusively for the purpose of fulfilling the activities of the respective public utility service.

The assets of the Centre for Support and the Balance Scheme are shown separately. These are, on the one hand, cash assets, which are held in separate special accounts, and, on the other hand, claim and liabilities, which are also managed separately and are settled through special settlement accounts.

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# 02

## FINANCIAL REPORT

We support society on its way to a green transition with knowledge and information so that together we can make better, more sustainability-oriented decisions.



# STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

In accordance with Article 60a of the Companies Act, the Management and the Supervisory Board of the company hereby assure that the Annual Report of Borzen, d.o.o. is prepared and will be published in compliance with the Companies Act and the Slovenian Accounting Standards.

The Management hereby adopts and confirms the financial statements of Borzen, d.o.o. for the year ended on 31 December 2022 and the notes to the financial statements, which are prepared based on the assumption of the company's continued operations and in accordance with the applicable legislation and the Slovenian Accounting Standards.

The Management confirms that the appropriate accounting policies have been applied consistently in the preparation of the financial statements, that the accounting estimates have been made on a prudent and reasonable basis and that the financial statements give a true and fair view of the state of the company's assets and of the results of its operation for the year ended on 31 December 2022.

Ljubljana, 18 May 2023

Borut Rajer, MSc  
General Manager

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**INDEPENDENT AUDITOR'S REPORT**  
**To the shareholder of BORZEN, d.o.o.**  
 (Translation from the original in Slovene language)

**Opinion**

We have audited the financial statements of BORZEN, d.o.o. (the Company), which comprise the balance sheet as at December 31, 2022 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the company BORZEN, d.o.o. as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council dated as at April 16, 2014 on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014 of the European Parliament and Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

Management is responsible for the other information. The other information comprises the information included in the Business report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures we report on the following:

- other information is consistent with audited financial statements in all respect;
- other information is prepared in line with regulatory requirements and;
- based on our knowledge and understanding of the company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

**Responsibilities of Management and Supervisory Board for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Slovenian accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for monitoring over financial statements preparation and consideration of annual report.

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.  
 Okrožno sodišče v Ljubljani, vl št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit Committee and the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ljubljana, May 23, 2023

BDO Revizija d.o.o.  
 Cesta v Mestni log 1, Ljubljana

(Signature on original Slovene independent auditor's report)

Maruša Hauptman,  
 Certified auditor

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Balance sheet as at 31 December 2022 and 31 December 2021

in EUR

DESCRIPTION	31 DEC 2022	31 DEC 2021
<b>ASSETS</b>	<b>392,216,876</b>	<b>330,442,235</b>
<b>A. LONG-TERM ASSETS</b>	<b>74,528,116</b>	<b>175,598,983</b>
I. INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS AND ACCRUED REVENUES	483,963	403,561
II. PROPERTY, PLANT AND EQUIPMENT	2,019,742	2,141,567
1. Land and buildings	1,607,951	1,692,096
2. Other plant and equipment	411,791	449,471
III. LONG-TERM FINANCIAL INVESTMENTS	72,000,000	172,919,568
1. Shares in the associated companies	0	1,919,568
2. Other long-term financial investments	72,000,000	171,000,000
IV. DEFERRED TAX RECEIVABLES	24,411	134,287
<b>B. SHORT-TERM ASSETS</b>	<b>317,600,154</b>	<b>154,786,894</b>
I. SHORT-TERM FINANCIAL INVESTMENTS	274,000,000	100,861,133
II. SHORT-TERM OPERATING RECEIVABLES	26,468,758	33,820,271
1. Short-term operating receivables due from customers	24,919,475	29,594,703
2. Short-term operating receivables due from others	1,549,283	4,225,568
III. CASH AND CASH EQUIVALENTS	17,131,396	20,105,490
<b>C. SHORT TERM DEFERRED COSTS AND ACCRUED REVENUES</b>	<b>88,606</b>	<b>56,358</b>

DESCRIPTION	31 DEC 2022	31 DEC 2021
<b>LIABILITIES</b>	<b>392,216,876</b>	<b>330,442,235</b>
<b>A. EQUITY</b>	<b>9,666,199</b>	<b>6,128,730</b>
I. CALLED-UP CAPITAL	1,963,279	1,963,279
1. Share capital	1,963,279	1,963,279
II. CAPITAL RESERVES	395	395
III. REVENUE RESERVES	4,185,407	3,751,746
1. Legal reserves	196,328	196,328
2. Other revenue reserves	3,989,079	3,555,418
IV. RESERVES ARISING FROM FAIR VALUE MEASUREMENTS	4,241	-20,351
V. PROFIT OR LOSS BROUGHT FORWARD	-739	439
VI. NET PROFIT (OR LOSS) FOR THE FINANCIAL YEAR	3,513,616	433,222
<b>B. PROVISIONS AND LONG-TERM ACCRUED EXPENSES AND DEFERRED REVENUE</b>	<b>257,178</b>	<b>259,000</b>
<b>C. SHORT-TERM LIABILITIES</b>	<b>382,216,979</b>	<b>324,050,424</b>
I. SHORT-TERM FINANCIAL LIABILITIES	1,750,000	0
II. SHORT-TERM OPERATING LIABILITIES	380,466,979	324,050,424
1. Short-term operating liabilities to suppliers	19,375,409	25,941,979
2. Other short-term operating liabilities	361,091,570	298,108,445
<b>D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>76,520</b>	<b>4,081</b>

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# INCOME STATEMENT

Income statement for the period from 1 January 2021 to 31 December 2022

in EUR

ITEM	1 JANUARY 2022	1 JANUARY 2021
	31 DECEMBER 2022	31 DECEMBER 2021
1. NET SALES REVENUE	4,524,108	4,123,513
2. OTHER OPERATING REVENUES	89,786	40,584
<b>TOTAL OPERATING REVENUE</b>	<b>4,613,894</b>	<b>4,164,097</b>
3. COSTS OF MATERIALS AND SERVICES	1,434,711	1,295,001
a. Costs of materials	88,407	70,051
b. Costs of services	1,346,304	1,224,950
4. LABOUR COSTS	2,884,366	2,271,117
a. Costs of wages and salaries	2,121,809	1,640,667
b. Costs of pension insurance contributions	273,584	217,347
c. Costs of other social insurances	160,059	126,751
d. Other labour costs	328,914	286,352
5. VALUE WRITE-OFFS	382,386	347,706
a. Depreciation and amortisation expenses	382,386	346,146
b. Revaluated operating expenses	0	1,560
6. OTHER OPERATING EXPENSES	21,443	18,442

in EUR

ITEM	1 JANUARY 2022	1 JANUARY 2021
	31 DECEMBER 2022	31 DECEMBER 2021
7. FINANCIAL REVENUE FROM OPERATING RECEIVABLES	3,356,265	0
a. Financial revenue from operating receivables from companies in the group	3,335,522	0
b. Financial revenue from other investments	20,743	0
8. FINANCIAL REVENUE FROM LOANS	501,550	347,415
a. Financial revenue from loans to companies in the group	72,053	2,873
b. Financial revenue from loans to others	429,497	344,542
7. FINANCIAL REVENUE FROM OPERATING LIABILITIES	24,431	509
8. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	109,588	41,871
9. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	2,368	1,313
10. OTHER REVENUE	30	0
11. OTHER EXPENSES	1,013	3,510
12. INCOME TAX	38,860	103,397
13. DEFERRED TAXES	107,819	-3,558
<b>NET PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>3,513,616</b>	<b>433,222</b>

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# CASH FLOW STATEMENT

Cash flow statement using the indirect method (Format II, SAS)

in EUR

ITEM	2022	2021
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>a. Inflows from operating activities</b>	<b>167,968</b>	<b>510,871</b>
Operating revenue (except from revaluation) and financial revenue from operating receivables	4,634,695	4,160,192
Operating expenses without depreciation (except for revaluation) and financial expenses	-4,320,048	-3,549,482
Income tax and other taxes excluded from operating expenses	-146,679	-99,839
<b>b. Outflows from operating activities</b>	<b>63,880,806</b>	<b>55,615,239</b>
Opening less closing operating receivables	7,351,513	-10,693,007
Opening less closing deferred costs and accrued revenues	-67,755	-16,401
Opening less closing deferred tax assets	109,876	-6,016
Closing less opening operating liabilities	56,416,555	66,326,582
Closing less opening accrued expenses and deferred revenues and provisions	70,617	4,081
<b>c. Positive or negative cash flow from operating activities (a+b)</b>	<b>64,048,774</b>	<b>56,126,110</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>a. Cash inflows from investment activities</b>	<b>94,675,946</b>	<b>33,004,126</b>
Revenue from received interest related to investment activities	5,777,384	347,415
Revenue from disposal of tangible fixed assets	37,429	17,844
Revenue from disposal of financial investments	88,861,133	32,638,867

in EUR

ITEM	2022	2021
<b>b. Cash outflows pertaining to investment activities</b>	<b>-163,339,225</b>	<b>-102,933,091</b>
Acquisition of intangible assets	-193,215	-107,128
Acquisition of tangible fixed assets	-146,010	-825,963
Acquisition of financial investments	-163,000,000	-102,000,000
<b>c. Positive or negative cash flow from investments (a+b)</b>	<b>-68,663,279</b>	<b>-69,928,965</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>a. Cash inflows from financing activities</b>	<b>1,750,000</b>	<b>0</b>
Receivables from the increase of financial liabilities	1,750,000	
<b>b. Cash outflows pertaining to financing activities</b>	<b>-109,589</b>	<b>-291,871</b>
Outflows from interests pertaining to financing activities	-109,589	-41,871
Repayment of financial liabilities	0	0
Dividends paid	0	-250,000
<b>c. Positive or negative cash flow from financing activities (a+b)</b>	<b>1,640,411</b>	<b>-291,871</b>
<b>D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>17,131,396</b>	<b>20,105,490</b>
Financial result in the period	-2,974,094	-14,094,726
Opening balance of cash and cash equivalents	20,105,490	34,200,216

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# ALLOCATION OF NET PROFIT FOR THE FINANCIAL YEAR AND DETERMINATION OF ACCUMULATED PROFIT

Allocation of net profit for the financial year 2022 in EUR

DESCRIPTION	31 DECEMBER 2022
Net profit from previous years	0
Net profit for the financial year	3,513,616
Portion of net profit from the financial year for the elimination of actuarial losses	-739
<b>Accumulated profit for the financial year</b>	<b>3,512,877</b>

# STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for 2021

	PROFIT RESERVES							NET PROFIT FOR THE YEAR	TOTAL EQUITY
	SHARE CAPITAL	CAPITAL RESERVES	STATUTORY RESERVES	OTHER PROFIT RESERVES	FAIR VALUE RESERVES	RETAINED PROFITS			
<b>CLOSING BALANCE 31 DECEMBER 2020</b>	1,963,279	395	196,328	2,674,093	3,506	0	1,131,325	5,968,926	
<b>Changes in equity – transactions with owners</b>									
- Dividend payments						-250,000		-250,000	
<b>Total comprehensive income</b>									
- Change in reserves arising from valuation at fair value					-23,419			-23,419	
- Entry of net profit							433,222	433,222	
<b>Changes in equity</b>									
- Allocation of the remaining part of net profit of the comparative period						1,131,325	-1,131,325	0	
- Reserve transfer by decision of the general meeting				881,325		-881,325		0	
- Other changes					-438	439		0	
<b>CLOSING BALANCE 31 DECEMBER 2021</b>	1,963,279	395	196,328	3,555,418	-20,351	439	433,222	6,128,730	

# TOTAL COMPREHENSIVE INCOME

Total comprehensive income in the period from 1 January 2021 to 31 December 2022 in EUR

DESCRIPTION	1 JANUARY 2002	1 JANUARY 2001
	31 DECEMBER 2022	31 DECEMBER 2021
<b>NET PROFIT OF THE ACCOUNTING PERIOD</b>	3,513,616	433,222
Actuarial gains and losses on defined benefit plans	23,854	-23,419
<b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD</b>	<b>3,537,470</b>	<b>409,803</b>

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## Statement of changes in equity for 2022

v EUR

	SHARE CAPITAL	CAPITAL RESERVES	PROFIT RESERVES			RETAINED PROFITS	NET PROFIT FOR THE YEAR	TOTAL EQUITY
			STATUTORY RESERVES	OTHER PROFIT RESERVES	FAIR VALUE RESERVES			
<b>CLOSING BALANCE 31 DECEMBER 2021</b>	1,963,279	395	196,328	3,555,418	-20,352	439	433,222	6,128,730
<b>Changes in equity – transactions with owners</b>								
- Dividend payments								
<b>Total comprehensive income</b>								
- Change in reserves arising from valuation at fair value					23,854			23,854
- Entry of net profit							3,513,616	3,513,616
<b>Changes in equity</b>								
- Allocation of the remaining part of net profit of the comparative period						433,222	-433,222	0
- Reserve transfer by decision of the general meeting				433,661		-433,661		0
- Other changes					739	-739		0
<b>CLOSING BALANCE 31 DECEMBER 2022</b>	1,963,279	395	196,328	3,989,079	4,241	-739	3,513,616	9,666,199

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# 16 ACCOUNTING POLICIES

# BASES FOR THE COMPILATION OF FINANCIAL STATEMENTS

The financial statements are compiled in accordance with the Slovenian Accounting Standards and the Companies Act (ZGD-1). The data in the financial statements are based on accounting documents and accounts kept in accordance with the Slovenian Accounting Standards. The preparation of financial statements is based on the following basic accounting assumptions: going concern basis, consistent stability and accrual accounting principles. The accounting policies follow the basic accounting principles, i.e. the precautionary principle, the principle of the priority of substance, the materiality principle and the principle of comparability of information.

All significant items are disclosed, with significance also depending on the amount of each item. The accounting policies and accounting estimates used in the preparation and presentation of the financial statements for the year under review are the same as those used in the previous financial year.

## INTANGIBLE ASSETS

For intangible assets and long-term accruals, the accounting records show separately their cost and value adjustments as a cumulative write-off resulting from amortisation. They are recorded in the balance sheet at their unamortised cost, which is the difference between the cost and the value adjustment. At the end of each accounting period, the company reviews the significant intangible assets for signals of impairment. If it is determined that the recoverable amount is less than the carrying amount, then such impairment is recognised as a revaluation expense.

## TANGIBLE FIXED ASSETS

Property, plant and equipment are recorded separately at cost and at depreciated amounts, in which depreciation represents the cumulative write-off of the asset as a result of depreciation. They are carried in the balance sheet at their carrying amount, which represents the difference between the acquisition and depreciated values.

The actual cost of an item of property, plant and equipment includes its purchase price and all costs directly attributable to its qualification for its intended use. Costs incurred in connection with an item of property, plant and equipment subsequently increase its cost to the extent that they increase future benefits over those previously estimated.

At the end of each reporting period, the Company reviews significant property, plant and equipment for indicators of impairment. If it is determined that the recoverable amount is less than the carrying amount, such impairment is recognised as a revaluation expense.

## LONG-TERM FINANCIAL INVESTMENTS

At the time of origination, long-term financial investments are disclosed at the purchase value, which corresponds to the invested cash or other assets.

## SHORT-TERM FINANCIAL INVESTMENTS

At the time of origination, short-term financial investments are disclosed at the purchase value, which corresponds to the invested cash or other assets.

## SHORT-TERM OPERATING RECEIVABLES

Receivables are disclosed at the time they are incurred at the amounts shown in the relevant documents, assuming that they will be paid. Receivables due from legal and natural persons abroad are converted into the local currency at the date of incurrence. The exchange-rate differences that occur up to the date of settlement of such receivables or up to the balance sheet date are treated as an item of financial income or financial expense. The adequacy of the reported amounts of individual receivables is verified before the financial statements are drawn up. The value adjustments of the receivables that are estimated not to be paid in full are made on receivable-by-receivable basis. The value adjustments of receivables reduce their carrying amount and increase the revaluation financial expenses, insofar as they relate to the company's regular receivables. The value adjustments of the Centre for Support receivables reduce the assets of the Centre for Support. In addition, the value adjustments of the imbalance settlement receivables are also covered from the surplus of the imbalance settlement in accordance with the Rules on the Operation of the Electricity Market.

## CASH ASSETS

Cash assets consist of demand deposits and short-term deposits held at call with banks. The company separately discloses the cash assets of the Centre for Support and the cash assets of the imbalance settlement, which are held in separate accounts, set up specifically for this purpose.

## ACCRUALS FOR FINANCIAL ASSETS AND LIABILITIES

The accruals can be either active or passive. They include deferred revenues and costs or expenses, accrued costs or expenses and accrued income as specific types of claims and debts.

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## EQUITY

The company's total equity is divided into share capital (i.e. the called-up capital of the shareholder), capital reserves, profit reserves, revaluation surplus, profit or loss of previous years and undistributed net profit or loss of the current year.

## PROVISIONS

Provisions are formed for current liabilities arising from binding past events and are expected to be settled in a period not determined with certainty and the amounts for which they can be settled can be estimated reliably. This includes provisions for jubilee and retirement benefits and can be considered as debts in a broad sense.

## LONG-TERM LIABILITIES

Long-term liabilities are all those liabilities that are due to be settled in a period of more than one year and are separately disclosed as long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities relate to borrowings, while long-term operating liabilities refer to the liabilities to suppliers at home and abroad.

## SHORT-TERM LIABILITIES

Short-term liabilities are disclosed separately as the short-term financial liabilities and short-term operating liabilities. The short-term financial liabilities relate to the received loans. The short-term operating liabilities include advance payments from buyers, liabilities to suppliers at home and abroad, liabilities to employees, liabilities to state institutions and other liabilities. All liabilities are disclosed at fair value.

**THE INCOME STATEMENT** is compiled according to Format I of the Slovenian Accounting Standards.

## REVENUES

Revenues are divided into operating revenues, financial revenues and other revenues. The operating and financial revenues are regarded as regular revenues. The operating revenues are revenues from sales and other operating revenues related to business outputs. The revenues from sales consist of the market values of the supplied services in the accounting period. The revenues are recognized based on the sale prices indicated on the invoices or other documents. The financial revenues are revenues arising from investments, financial investments and receivables. Other revenues consist of extraordinary items and other income that increase the profit.

## EXPENSES

Expenses are divided into operating expenses, financial expenses and other expenses. The operating and financial expenses are regular expenses. The operating expenses include all costs incurred during the financial year and are recorded by their nature, i.e. material costs, service costs, labour costs, depreciation, operating expenses from revaluation and other operating expenses. The operating expenses from revaluation arise upon the disposal of the tangible fixed assets in connection with the intangible assets and current assets due to their impairment if the decrease in their value is not covered by a special capital revaluation adjustment. The financial expenses are expenses arising from financing and investment expenses, while other expenses consist of extraordinary items that decrease the profit.

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# NOTES ON THE BALANCE SHEET ITEMS

## Intangible fixed assets and long-term deferred expenses and accrued revenues

Overview of intangible fixed assets

in EUR

	SOFTWARE	SOFTWARE IN PRODUCTION	TOTAL
<b>ACQUISITION VALUE</b>			
<b>1 January 2022</b>	<b>2,247,113</b>	<b>0</b>	<b>2,247,113</b>
Direct increases/purchases	0	193,215	193,215
Transfer from investments in progress	193,215	-193,215	0
Disposals	0	0	0
<b>31 December 2022</b>	<b>2,440,328</b>	<b>0</b>	<b>2,440,328</b>
<b>DEPRECIABLE AMOUNT</b>			
<b>1 January 2022</b>	<b>1,865,708</b>	<b>0</b>	<b>1,865,708</b>
Yearly depreciation	148,319	0	148,319
Disposals	0	0	0
<b>31 December 2022</b>	<b>2,014,027</b>	<b>0</b>	<b>2,014,027</b>
<b>CURRENT VALUE</b>			
<b>1 January 2022</b>	<b>381,405</b>	<b>0</b>	<b>381,405</b>
<b>31 December 2022</b>	<b>426,301</b>	<b>0</b>	<b>426,301</b>

Software investments in 2022 consist mainly of upgrades and customisations of the company's existing business applications. Thus, the upgrades and adjustments of the clearing application and the application for the performance of the Market Operator tasks, such as the imbalance settlement application and the modifications of the Guarantees of Origin Registry were carried out in 2022. The upgrades have also been made to the company's single IT system.

The depreciation rate at which software is amortised ranges from 20% to 50% and reflects the expected useful life.

Long-term accrued costs represent the assets of the statutory reserve fund and the voluntary fund, which are collected in a special account by the Premises Manager and amounted to EUR 24,438 at the end of 2022, as well as long-term accrued expenses in the amount of EUR 33,224.

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## Tangible fixed assets

Overview of tangible fixed assets

in EUR

	IMMOVABLE PROPERTY	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
<b>ACQUISITION VALUE</b>					
<b>1 January 2022</b>	<b>2,277,248</b>	<b>761,401</b>	<b>232,036</b>	<b>242,062</b>	<b>3,512,747</b>
Purchases	0	129,467	0	16,543	146,010
Disposals	0	9,386	2,500	42,374	54,260
<b>31 December 2022</b>	<b>2,277,248</b>	<b>881,482</b>	<b>229,536</b>	<b>216,231</b>	<b>3,604,497</b>
<b>DEPRECIABLE AMOUNT</b>					
<b>1 January 2022</b>	<b>585,152</b>	<b>541,711</b>	<b>145,179</b>	<b>99,138</b>	<b>1,371,180</b>
Depreciation	84,145	101,314	13,096	35,513	234,068
Disposals	0	7,548	0	12,945	20,493
<b>31 December 2022</b>	<b>669,297</b>	<b>635,477</b>	<b>158,275</b>	<b>121,706</b>	<b>1,584,755</b>
<b>CURRENT VALUE</b>					
<b>1 January 2022</b>	<b>1,692,096</b>	<b>219,690</b>	<b>86,857</b>	<b>142,924</b>	<b>2,141,567</b>
<b>31 December 2022</b>	<b>1,607,951</b>	<b>246,005</b>	<b>71,261</b>	<b>94,525</b>	<b>2,019,742</b>

The investments in the IT system include the purchase of new hardware, i.e. firewalls, routers, new desktop workstations and laptops for new employees, as well as the replacement of some equipment, mainly due to its obsolescence. The investments in other equipment relate mainly to the purchase of mobile phones.

The disposals relate to the sell-off of old computer equipment that has been replaced and the sell-off of a company's car.

**The depreciation of the equipment was calculated at the following rates:**

- Computer equipment 20-33.33%
- Office furniture 11-12%
- Other equipment 10-50%

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## Long-term financial investments

At the end of 2022, Borzen sold its stake in BSP Energetska borza, d.o.o. BSP has been operating profitably in recent years. The sale value of the 50-percent stake totalled EUR 3,736,000. Other long-term financial investments include the long-term investment of the Centre for Support's free cash resources with the aim of generating revenue. The amounts of EUR 7 million is invested as a long-term deposit with BKS Bank, EUR 3 million with Banka Sparkasse d.d., EUR 23 million with N Banka d.d., EUR 14 million with Addiko Bank d.d., EUR 20 million with Gorenjska Banka d.d. and EUR 5 million with Unicredit Banka Slovenija d.d.

## Deferred tax assets

The deferred tax assets, which in 2021 mainly related to the deferred tax on the impairment of the investment in BSP, were eliminated in 2022 with the sale of the investment. In addition, the company also reports a deferred tax asset on the provision for severance and jubilee benefits, which slightly decreased in 2022 due to the use of the provisions in this respect. No new deferred tax assets were created in 2022 as such provision are fully fiscally recognised.

## Short-term financial investments

The financial investments represent fixed deposits with the following banks: BKS Bank, N Banka d.d., Addiko Bank d.d. and Banka Sparkasse d.d., which were bound for up to twelve months. In addition to deposits with banks, Borzen has EUR 54 million invested with BSP d.o.o. and EUR 2 million with the liquidity promotion agency, Agencija za pospeševanje likvidnosti d.o.o. The amount of EUR 271 million represents the Centre for Support's assets, i.e. the free assets or surplus of the Centre for Supports assets, and EUR 3 million represent Borzen's assets. The amount of short-term investments represents the maximum possible exposure to credit risk.

Overview of long-term financial investments	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
Long-term financial investments in shares	0	1,919,568
Other long-term financial investments	72,000,000	171,000,000
<b>Total</b>	<b>72,000,000</b>	<b>172,919,568</b>

Overview of deferred tax assets	in EUR			
	31 DECEMBER 2022	INCREASE	DECREASE	31 DECEMBER 2021
Deferred tax assets arising from:				
- impairment of the investment	0	0	109,682	109,682
- provisions	24,411	0	194	24,605
<b>Total</b>	<b>24,411</b>	<b>0</b>	<b>109,876</b>	<b>134,287</b>

Overview of short-term financial investments	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
Short-term financial investments	274,000,000	100,861,133
- of which investments in related parties	0	19,000,000
<b>Total</b>	<b>274,000,000</b>	<b>100,861,133</b>

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## Short-term operating receivables

Overview of short-term operating receivables	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
Short-term trade receivables	24,919,475	29,594,703
a) Short-term domestic trade receivables	23,425,330	26,954,283
- receivables due from related parties	0	15,303
b) Short-term foreign trade receivables	1,494,145	2,640,420
Short-term advances and securities given	85,907	87,711
Short-term receivables for interests	162,088	42,483
Other short-term receivables	1,301,288	4,095,374
<b>Total</b>	<b>26,468,758</b>	<b>33,820,271</b>

As at 31 December 2022, the share of the short-term receivables amounted to EUR 24,919,475 and consisted of:

- 43% of the receivables from the Centre for Support,
- 55% of the receivables from the imbalance settlement,
- 2% of the regular receivables (mainly from the services of recording bilateral contracts and closed contracts).

The amount of receivables is lower compared to the end of 2021, mainly on account of receivables from the Centre for Support, while the imbalance settlement receivables are even higher. The 2022 imbalance settlement receivables include the amounts for the months of November (the settlement took place in the first days of January) and December, while the information for 2021 includes only the amounts of the imbalance settlement for December. The imbalance settlement receivables are secured (the members are required to provide financial coverage in the form of a deposit or a bank guarantee), while other receivables are not secured.

Short-term trade receivables by maturity:

- EUR 24,877,312 of receivables are unmatured (99.8%),
- EUR 41,477 of receivables are overdue (0.2%), of which EUR 28,286 are overdue up to 30 days, EUR 9,729 are overdue up to 60 days and EUR 3,462 are overdue up to 90 days,
- EUR 686 EUR of receivables are the subject of enforcement proceedings.

Other short-term receivables relate to the input VAT on invoices incurred at the end of January 2023, mainly relating to the month of December 2022. Other short-term receivables also include an overpayment of the corporation tax in the amount of EUR 68,984.

## Cash assets

Overview of cash assets	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
<b>Cash and cash equivalents in banks</b>	<b>17,031,416</b>	<b>9,005,510</b>
Cash assets in the commercial account	3,061,419	1,462,469
Cash assets in special accounts – Centre for Support	3,974,849	1,317,317
Cash assets in special accounts – Balance Scheme	9,995,148	6,225,724
<b>Deposits held at call – total</b>	<b>99,980</b>	<b>11,099,980</b>
Deposits held at call	99,980	99,980
Deposits held at call – Centre for Support	0	11,000,000
Deposits held at call – Balance Scheme	0	0
<b>Total</b>	<b>17,131,396</b>	<b>20,105,490</b>

The assets of the Centre for Support are managed by the company on the basis of the Act on the Promotion of the Use of Renewable Energy Sources, while the assets of the imbalance settlement are related to the organisation of the electricity market. The company manages these assets and therefore keeps them separately in separate accounts.

In the same way, the deposits held at call are also kept separately, which at the end of 2022 refer only to the assets of Borzen arising from ordinary business operation and are held with BKS Bank.

## Short-term deferred expenses and accrued revenues

Overview of short-term deferred expenses and accrued revenues	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
Short-term deferred expenses and accrued revenues	88,606	56,358
<b>Total</b>	<b>88,606</b>	<b>56,358</b>

The accrued revenues and deferred expenses include costs incurred to Borzen in 2022, but relate to the financial year 2023 and will be charged to expenses in that year.

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## Equity

Overview of equity	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
Called-up capital	1,963,279	1,963,279
Share capital – equity investment	1,963,279	1,963,279
Capital reserves – general revaluation adjustment	395	395
Profit reserves	4,185,407	3,751,746
Statutory reserves	196,328	196,328
Other profit reserves	3,989,079	3,555,418
Fair value reserves	4,241	-20,351
Profit from the previous years	-739	439
Net profit for the financial year	3,513,616	433,222
<b>Total</b>	<b>9,666,199</b>	<b>6,128,730</b>

The total capital of the company at the end of 2022 amounted to EUR 9.67 million. The previous year's profit was allocated to other reserves. The net profit for 2022, which is also shown in the income statement, amounts to EUR 3,513,616. The loss carried forward from previous years in the amount of EUR 739 represents the reversal of actuarial gains or losses for employees who left the company during the year and for whom the provisions for retirement benefits were reversed.

## Provisions

Overview of provisions	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
Provisions for long-service bonuses	84,401	76,082
Provisions for severance pays	172,777	182,918
<b>Total</b>	<b>257,178</b>	<b>259,000</b>

The company formed provisions for retirement allowances and jubilee benefits on the basis of an actuarial calculation. The actuarial assumptions used were as follows: 40 employees, interest rate 4.2%, salary growth 4.0%, turnover up to 35 years 4.5%, turnover up to 45 years 3.0% and turnover over 45 years 0.5%. The use of provision in 2022 amounted to EUR 2,045 (i.e. the payment of a jubilee bonus). After the re-formation at the end of 2022, the total provision amount equals EUR 257,178.

Overview of provision movement	in EUR		
	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT	PROVISIONS FOR JUBILEE BENEFITS	TOTAL
<b>Balance as at 31 December 2021</b>	<b>182,918</b>	<b>76,082</b>	<b>259,000</b>
Interest costs	1,646	675	2,321
Past service costs	0	0	0
Current service costs	14,124	5,413	19,537
Benefit payments	0	-2,045	-2,045
Actuarial gains/losses (income statement)	/	4,276	4,276
Actuarial gains/losses (statement of financial position)	-25,911	/	-25,911
<b>Balance as at 31 December 2022</b>	<b>172,777</b>	<b>84,401</b>	<b>257,178</b>

Sensitivity analysis	in EUR	
	PROVISIONS FOR SEVERANCE PAYS	PROVISIONS FOR JUBILEE BENEFITS
Reduction of disc. interest rate by 0.5%	13,831	3,613
Increase of disc. interest rate by 0.5%	-12,494	-3,356
Increase in wage growth of 0.5%	14,383	0
Reduction in wage growth by 0.5% per year	-13,115	0

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## Short-term liabilities

### Overview of short-term liabilities

	in EUR	
	31 DECEMBER 2022	31 DECEMBER 2021
<b>Short-term liabilities to suppliers</b>	<b>19,375,409</b>	<b>25,941,979</b>
- Short-term liabilities to suppliers – Regular suppliers	476,979	248,240
- Liabilities to related parties	0	8,662
- Short-term liabilities to suppliers – Centre for Support	7,026,844	13,111,350
- Short-term liabilities to suppliers – Balance Scheme	11,871,586	12,582,389
<b>Short-term liabilities related to the Centre for Support</b>	<b>347,943,813</b>	<b>292,113,017</b>
<b>Short-term liabilities related to the Balance Scheme</b>	<b>12,217,331</b>	<b>4,219,491</b>
<b>Short-term liabilities for advances received</b>	<b>137,293</b>	<b>95,554</b>
<b>Short-term liabilities to employees</b>	<b>281,860</b>	<b>289,049</b>
- Liabilities for net salaries and wage compensations	113,104	119,736
- Liabilities for contributions from gross salaries and wage compensations	89,775	89,241
- Liabilities for taxes from gross salaries and wage compensations	35,463	34,560
- Liabilities for other remunerations from employment	43,518	45,512
<b>Short-term liabilities to state and other institutions</b>	<b>502,565</b>	<b>1,382,593</b>
- Charged VAT liabilities	500,582	1,380,574
- Income tax liabilities	0	0
- Other short-term liabilities to state and other institutions	1,983	2,019
<b>Other short-term operating liabilities</b>	<b>8,708</b>	<b>8,741</b>
<b>Total short-term operating liabilities</b>	<b>380,466,979</b>	<b>324,050,424</b>
<b>Total short-term financial liabilities</b>	<b>1,750,000</b>	

The balance of liabilities to suppliers at 31 December 2022 consists of open liabilities to regular suppliers, open liabilities to beneficiaries of the Centre for Support and open liabilities to suppliers related to the imbalance settlement. For the beneficiaries of the Centre for Support, the amount mainly relates to December invoices due at the end of January. The company settles its liabilities to suppliers within the agreed contractual deadlines.

The short-term liabilities from the Centre for Support represent a source of funds collected from RES and CHP, which increased again in the course of 2022. This source finances the cash, short-term and long-term financial investments of the Centre for Support.

The short-term liabilities arising from the Balance Scheme represent the surplus of the Balance Scheme, which is higher due to the increase in electricity prices.

The short-term liabilities to employees represent open items due to employees in relation to December salaries and Christmas bonuses.

The financial liability of EUR 1.75 million relates to the security of a contingent liability held by Borzen as a joint guarantor to BSP under the Framework Loan Agreement in the amount of EUR 3.5 million up to 50% of the obligations under the agreement. With the expiry of the surety bond in January 2023, the money was subsequently returned to BSP.

## Off-balance-sheet assets

The company reports off-balance sheet assets of EUR 9.01 million. Of this amount, EUR 4.75 million represent cash balances of the members of the Balance Scheme in deposit sub-accounts opened in the name of the members of the Balance Scheme. The assets represent insurance for the fulfilment of financial obligations arising from the imbalance settlement. The financial coverage must be submitted by the responsible party of the balance group when signing the balancing contract with the Market Operator in accordance with the applicable Rules on the Operation of the Electricity Market. The assets are shown as the off-balance sheet item as they have no direct influence on the size and the composition of the assets and liabilities to the asset sources since they only represent a guarantee for the fulfilment of the obligations of the Balance Scheme members.

In addition to cash deposits, members of the balance sheet scheme can also provide financial cover in the form of a first call bank guarantee. As at 31 December 2022, the value of bank guarantees received by the Balance Scheme members amounted to EUR 4.26 million.

## Off-balance-sheet contingent liabilities

Borzen also holds a contingent liability under a surety bond in the amount of EUR 1.75 million. Borzen is a joint and several guarantor (the other guarantor is ELES d.o.o.) to BSP under the Framework Loan Agreement in the amount of EUR 3.5 million up to 50% of the obligations under the agreement. With the expiry of the Framework Loan Agreement on 31 December 2022, the obligation under the surety statement also terminated.

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# NOTES TO THE INCOME STATEMENT

## Operating revenues

### Overview of operating revenues

	in EUR			
	2022	SHARE (%)	2021	SHARE (%)
Revenue from Market Operator operations	1,616,420	35.0	1,682,289	40.4
Revenue from the recording of closed contracts	973,863	21.1	1,062,689	25.5
Other Market Operator revenue	66,042	1.4	0	0.0
Revenue from the Centre for Support	850,000	18.4	591,000	14.2
Revenue from the operation of the single point of contact	175,000	3.8	0	0.0
Revenue from BSP	155,647	3.4	163,536	3.9
Revenue from the information and awareness-raising activity	449,714	9.7	419,997	10.1
Revenue from RRM - REMIT	193,334	4.2	189,778	4.6
Additional revenue under the Act on the Promotion of the Use of Renewable Energy Sources	43,247	0.9	0	0.0
Other revenue	841	0.0	14,224	0.3
<b>Total operating revenue</b>	<b>4,524,108</b>	<b>98.1</b>	<b>4,123,513</b>	<b>99.0</b>
Other operating revenue	89,786	1.9	40,584	1.0
<b>Total</b>	<b>4,613,894</b>	<b>100.0</b>	<b>4,164,097</b>	<b>100.0</b>

The largest share of the revenue relates to the revenue from the operation of the Market Operator. The amount of this revenue was determined in June 2015 in the Decree on the award of a concession and on the method of provision of a service of general economic interest – electricity market operator, which regulates the method of financing the public utility service and the supplement to network charges with a contribution for the operation of the concessionaire (i.e. the Market Operator) in the amount of EUR 0.00013 per kWh.

The second largest share is the revenue from the recording of closed contracts. The amount of the payment of the members of the Balance Scheme for the recording of closed contracts is set at EUR 0.00005 per kWh for each recording of a closed contract in which a member of the balance group acts as a seller.

The activities of the Centre for Support are financed by a share of the contributions for the promotion of electricity production from renewable energy sources and high-efficiency cogeneration of heat and power.

Other operating revenue in 2022 also included the revenue from salary refunds amounting to EUR 78,795.

Of the sales revenues, EUR 4,237,364 were invoiced to domestic customers and EUR 286,744 to customers abroad.

## Operating expenses

### Overview of operating expenses

	in EUR			
	2022	SHARE (%)	2021	SHARE (%)
Material costs	88,407	1.9	70,051	1.8
Service costs	1,346,304	28.5	1,224,950	31.2
Labour costs	2,884,366	61.1	2,271,117	57.8
Depreciation	382,386	8.1	346,146	8.8
Operating expenses from revaluation of operating current assets	0	0.0	1,560	0.0
Other operating expenses	21,443	0.5	18,442	0.5
<b>Total</b>	<b>4,722,906</b>	<b>100</b>	<b>3,932,266</b>	<b>100</b>

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## Material and service costs

### Overview of material and service costs

in EUR

	2022	SHARE (%)	2021	SHARE (%)
Energy costs	48,196	54.5	22,801	32.5
Office supplies	10,150	11.5	10,339	14.8
Professional literature	17,519	19.8	18,400	26.3
Other material costs	12,542	14.2	18,511	26.4
<b>Total material costs</b>	<b>88,407</b>	<b>100</b>	<b>70,051</b>	<b>100</b>
Banking services	8,664	0.6	9,724	0.8
Membership fees	36,910	2.7	35,202	2.9
Other services	72,089	5.4	71,993	5.9
Education and training	19,060	1.4	18,644	1.5
Rental costs	210,072	15.6	90,446	7.4
Business premises costs	73,939	5.5	49,472	4.0
Public relations	171,378	12.7	169,651	13.8
Postal services	27,291	2.0	22,004	1.8
SLA costs	86,549	6.4	86,800	7.1
Insurance costs	8,937	0.7	0	0.0
Mission and duty travel costs	22,161	1.6	20,460	1.7
Supervisory Board costs	19,225	1.4	14,488	1.2
Banking services	27,925	2.1	23,528	1.9
Advisory services and expert studies	339,205	25.2	420,210	34.3
Student work	37,862	2.8	28,938	2.4
Regular maintenance of property, plant and equipment	185,037	13.7	163,390	13.3
<b>Total service costs</b>	<b>1,346,304</b>	<b>100</b>	<b>1,224,950</b>	<b>100</b>

The costs of materials and services in the total amount are higher compared to the previous year. A large increase in costs is recorded in energy costs and costs of business premises, which is primarily the result of higher prices and rent costs due to the security operations centre services provided by the company TELEKOM SLOVENIJE, d.d.

### Overview of material and service costs by functional type in 2022

in EUR

COSTS BY FUNCTIONAL GROUPS	DISTRIBUTION COSTS	GENERAL ACTIVITIES COSTS	TOTAL
Material costs	12,445	75,962	88,407
Service costs	652,066	694,238	1,346,304
Labour costs	1,176,617	1,707,749	2,884,366
Depreciation	135,941	246,445	382,386
Revaluation of operating expenses	0	0	0
Other operating expenses	1,632	19,811	21,443
<b>Total</b>	<b>1,978,701</b>	<b>2,744,205</b>	<b>4,722,906</b>

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## Labour costs

Total labour costs in 2022 amounted to EUR 2,884,366. The company employed 40 people at the end of 2022, while the average number of employees based on hours worked equalled 38.39. Labour costs are calculated in accordance with the Rules on Labour Relations and the provisions of the Electricity Industry Collective Agreement applicable in the company since 1 May 2018. The labour costs, including the refunds, are within the planned values. In 2022, the company has also accrued untaken leave costs of EUR 60,000.

## Write-offs

In 2022, the depreciation amounted to EUR 382,386. The company applies a flat-rate depreciation charge.

## Other operating expenses

Other operating expenses amounted to EUR 21,443 and refer to the construction land contribution, court fees and the contribution that the company pays to the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia due to non-compliance with the legislation on the employment of the disabled.

## Financial revenues

Overview of financial revenues	in EUR			
	2022	SHARE (%)	2021	SHARE (%)
Financial revenues from shares	3,785,763	97.5	344,542	99.0
Financial revenues from loans granted	72,053	1.9	2,873	0.8
Financial revenues from operating receivables	24,430	0.6	509	0.1
<b>Total</b>	<b>3,882,246</b>	<b>100.0</b>	<b>347,924</b>	<b>100.0</b>

The financial revenues from shares relate to the dividend received from BSP, the profit from the sale of the shareholding in BSP and the interests from other long-term and short-term investments. The financial revenues from loans granted are represented by the interests from the loan granted to BSP.

## Financial expenses

Financial expenses overview	in EUR			
	2022	SHARE (%)	2021	SHARE (%)
Financial interest expenses	111,911	100.0	43,178	100.0
Other financial expenses including revaluation expenses	45	0.0	6	0.0
<b>Total</b>	<b>111,956</b>	<b>100.0</b>	<b>43,184</b>	<b>100.0</b>

The financial interest expenses in the amount of EUR 111,911 mainly relate to bank charges for exceeding funds in the accounts. A small part relates to the interests on provisions (based on the actuarial calculation) and the remaining financial expenses relate to the negative exchange-rate differences.

## Other revenues and expenses

In 2022, the company dedicated EUR 1,000 to donations for sport-related purposes.

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## OTHER DISCLOSURES

The managements of the company is represented by a one-member body, i.e. the general manager, appointed by the Supervisory Board for a period of five years.

The term of office of Mr. Martin Bratanič, who was appointed as of 1 November 2020, expired on 31 August 2022. As of 1 September 2022, Mr. Borut Rajer was appointed as the company's new general manager. The general manager is entitled to a basic remuneration (salary) and a performance-related remuneration (performance award).

### Remuneration of the general managers in 2022

	in EUR
	<b>GROSS REMUNERATION</b>
<b>Martin Bratanič</b>	
Salary for 2022	73,724
Holiday allowance	1,423
Benefits	4,623
Compensation for untaken leave and severance pay	3,379
<b>Borut Rajer, MSc</b>	
Salary for 2022	36,862
Christmas bonus	1,074
Benefits	495

The Supervisory Board is composed of three members appointed by the Government of the Republic of Slovenia. In June 2022, new members of the Supervisory Board and the Audit Committee were appointed. In 2022, the members of the Supervisory Board and the Audit Committee were entitled to basic remuneration for the performance of their duties and to the payment of meeting fees on the basis of the applicable resolution of the shareholder, as follows:

### Remuneration of the members of the Supervisory Board and Audit Committee in 2022

in EUR

	FUNCTION IN THE SUPERVISORY BOARD	MEETING FEES – SUPERVISORY BOARD	FUNCTION IN THE AUDIT COMMITTEE	MEETING FEES – AUDIT COMMITTEE	TRAVEL EXPENSES	BENEFITS	TOTAL GROSS
Peter Žmak	1,020	990	0	0	0	2	2,012
Tomaž Kokot	748	450	170	120	0	2	1,490
Davorin Dimič	680	990	234	840	1,282	2	4,028
Mojca Veljkovič	1,380	2,640	166	840	2,361	14	7,401
Ivana Nedižavec Korada	1,012	2,640	229	840	89	14	4,824
Žiga Fišer	920	2,640	0	0	0	14	3,574
Braco Mihelj	0	0	400	1,680	165	0	2,245
<b>Total</b>	<b>5,760</b>	<b>10,350</b>	<b>1,199</b>	<b>4,320</b>	<b>3,897</b>	<b>48</b>	<b>25,574</b>

The company has no liabilities to the General Manager or the members of the Supervisory Board nor has the company made any advances, loans or guarantees of liabilities to these parties.

## EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the end of the financial year that would affect the financial position of the company in 2022.

Borut Rajer, MSc  
General Manager

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The most relevant energy regulations governing the operation of the Market Operator and the Centre for Support are listed below.

- Legal Act on the method for determining and presenting the breakdown of electricity generation by energy source (Official Gazette of the Republic of Slovenia, No 22/16 and 172/21 – ZOEE)
- Legal Act on support for the production of electricity from renewable energy sources and high-efficiency cogeneration (Official Gazette of the Republic of Slovenia, No 56/15, 121/21 – ZSROVE)
- Act on using guarantees of origin registry (Official Gazette of the Republic of Slovenia, No 204/20, 121/21 – ZSROVE)
- Energy Act (Official Gazette of the Republic of Slovenia, No 60/19 - officially consolidated text, 65/20, 158/20 – ZURE, 175/20 – ZIUOPDVE, 121/21 – ZSROVE, 172/21 – ZOEE, 204/21 – ZOP, 44/22 – ZOTDS)
- Rules on the operation of Centre for RES/CHP (Official Gazette of the Republic of Slovenia, No 88/16, 172/21)
- Rules on the operation of the electricity market (Official Gazette of the Republic of Slovenia, No 74/18, 62/19, 159/21 - corr., 69/22)
- Rules on the balancing of the electricity market (Official Gazette of the Republic of Slovenia, No 97/14, 28/17 and 161/22)
- Rules on the financial incentives for energy efficiency, district heating and use of renewable energy sources (Official Gazette of the Republic of Slovenia, No 52/16, 59/16 - corr., 158/20 – ZURE)
- Decision on prices and premiums for the purchase of electricity from qualified electricity producers (Official Gazette of the Republic of Slovenia, No 65/08, 98/08, 105/08, 85/09)
- Decree on determining the quantity of electricity generated from high-efficiency cogeneration of heat and electricity and on determining the efficiency of the energy conversion of biomass (Official Gazette of the Republic of Slovenia, No 37/09, 17/14 – EZ-1, 158/20 – ZURE)
- Decree on issuing declarations for generation units and guarantees of electricity origin (Official Gazette of the Republic of Slovenia, No 182/20, 121/21 – ZSROVE)
- Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources (Official Gazette of the Republic of Slovenia, No 184/21, 84/22, 86/22, 112/22)
- Regulation on measurements to be performed in production units which are receiving guarantees of origin and support for electricity produced (Official Gazette of the Republic of Slovenia, No 21/09, 33/10, 45/12, 17/14 – EZ-1, 121/21 – ZSROVE)
- Decree on the award of a concession and on the method of provision of a service of general economic interest – electricity market operator (Official Gazette of the Republic of Slovenia, No 39/15, 121/21 – ZSROVE, 172/21)
- Decree on support for electricity generated from renewable energy sources and from high-efficiency cogeneration (Official Gazette of the Republic of Slovenia, No 26/22)
- Decree on the rules for drafting forecasts of the position of units generating electricity from renewable energy sources and high-efficiency cogeneration on the electricity market (Official Gazette of the Republic of Slovenia, No 194/21)
- Decree on energy savings requirements (Official Gazette of the Republic of Slovenia, No 96/14, 158/20 – ZURE, 84/22, 86/22, 107/22)
- Companies Act (Official Gazette of the Republic of Slovenia, No 65/09 - official consolidated text, 33/11, 91/11, 100/11 - concl. of Con. Court, 32/12, 57/12, 44/13 - decision of Con. Court, 82/13, 55/15, 15/17, 22/19 – ZPosS, 158/20 – ZIntPK-C, 175/20 – ZIUOPDVE, 18/21)
- Services of General Economic Interest Act (Official Gazette of the Republic of Slovenia, No 32/93, 30/98 – ZZLPPO, 127/06 – ZJZP, 38/10 – ZUKN, 57/11 – ORZGJS40)
- Electricity Supply Act (Official Gazette of the Republic of Slovenia, No 172/21)
- Act on the Promotion of the Use of Renewable Energy Source (Official Gazette of the Republic of Slovenia, No 121/21, 189/21, 29/22 – ZUOPVCE)
- Act on Energy Efficiency (Official Gazette of the Republic of Slovenia, No 158/20)

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# CODES AND RECOMMENDATIONS

The following are the codes and recommendations of the Shareholder that Borzen adheres to in its operations:

- Recommendations and expectations of the Slovenian State Holding
- Corporate Governance Code of State Invested Enterprises

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- ACER – Agency for the Cooperation of Energy Regulators
- CEP – Clean Energy for Europeans Package
- CHP – Combined heat and power
- EE – Energy efficiency
- EECS – European Energy Certificate System
- ELES – Slovenian Transmission System Operator
- ENTSO-E – European Network of Transmission System Operators
- EU – European Union
- EZ-1 – Energy Act
- GDPR – General Data Protection Regulation
- GRI – Global reporting initiative
- HHI – Herfindahl-Hirschman index
- IAEE – International Association for energy economics
- IGCC – International Grid Control Cooperation
- INC – Imbalance Netting Cooperation
- NEPN – Integrated National Energy and Climate Plan
- REMIT – Regulation on Wholesale Energy Market Integrity and Transparency
- RES – Renewable energy sources
- RRM – Registered Reporting Mechanism
- SAS – Slovenian Accounting Standards
- SIDC - Single Intra-day Coupling
- SIPX – Slovenian Price Index
- SODO – Slovenian Electricity Distribution System Operator
- ZGD-1 – Companies Act
- ZOEE – Electricity Supply Act
- ZSROVE – Act on the Promotion of the Use of Renewable Energy Sources
- ZURE – Act on Energy Efficiency

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