

2019

**SUSTAINABILITY
REPORT**

BORZEN



Borzen is a company focused on sustainable development. Under our own brand TRAJNOSTNA ENERGIJA ("Sustainable Energy") we target different individuals and organisations and inform and raise awareness on the importance of energy efficiency.

In 2019, we invited young people to participate in the Sustainable Energy competition, entitled "Our message for a better world". Children and young people of different age groups contributed their graffitis (messages) about what they can do to make the world a better place.

Nearly 900 children participated in the competition and their graffiti reached over 30,000 individuals.



**WITH OUR
GRAFFITI WE
WANTED TO
REMIND PEOPLE
TO TURN OFF ALL
UNNECESSARY
LIGHTS IN TOWNS
AND CITIES AT
NIGHT.**

Elementary School Ormož,
"Sovice" team.

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GENERAL MANAGER'S STATEMENT

Our mission and vision are focused on growth, development and excellence, and we build long-term success on these beliefs. The foundation for all our activities is provided by values that are sustainable and contribute to social responsibility. Through our daily work as a market operator, we contribute to a stable and transparent electricity market.

Borzen is a company that is strongly aware of the importance of social responsibility, so the principles of sustainable development are strongly embedded in all our business processes. As a socially responsible company, also in the field of interpersonal relations and with successful and encouraging cooperation with stakeholders, we constantly maintain provisions for the exchange of experiences. And I must say that this area was exceptional for the company in 2019. We participated in various interesting projects in the energy market; we are especially proud of the implementation of five consultancy projects within the framework of the Energy Community Secretariat calls for tenders. We had the opportunity to share our knowledge and experience with the colleagues in Moldova, North Macedonia and Georgia, by assisting them in establishing electricity markets in their countries. It is important to mention that as part of sustainable development, we also take care of the quality and reliable implementation of the basic activities of the market operator and public awareness activities on sustainable energy and some marketing activities. The key to achieving sustainable goals is to maintain the Socially Responsible Company certificate, which represents the socially responsible management principle and the Family-Friendly Enterprise certificate and to prepare a sustainability report in accordance with the GRI standards. In relation to the latter, we successfully performed an audit, which proved that we took good care of the favourable organisational climate, our attitude towards employees and other stakeholders in the business process of our company.

We are aware that our stakeholders are the core of the company's business and a responsible attitude towards them is embedded in our business processes on a daily and strategic level. We regularly check the general satisfaction of our stakeholders with our satisfaction surveys and analyses. The results of the implementation of the activities of the Support Centre from 2019 showed that as many as 95 percent of respondents were satisfied, which presents a positive sign that we provide quality services, thus fulfilling the mission of our company. We also successfully take care of balancing the professional and family life of our employees, as their satisfaction is a guarantee for the company's successful operation. For this reason, we aim to effectively address the challenges in this area as part of the

Family-Friendly Enterprise certificate. We strive to combine the company's work requirements and business goals with affiliation, motivation and good interpersonal relationships.

We are also successful in building the recognition of our 'TRAJNOSTNA ENERGIJA' ("Sustainable Energy") brand. We place the emphasis on sustainable energy and by organising activities and various projects we raise public awareness on sustainable energy and efficient energy use, while at the same time we try to encourage greater use of renewable energy sources in various ways. We are proud of the energy playground installed in the centre of Maribor, a project that was carried out in cooperation with Dravske elektrarne and the Municipality of Maribor. At the same time, we also focused on the results of our past projects. Due to the fact that our environmental cartoons *Lepši svet* ("A Better World") proved to be extremely informative and educational, we decided to dub them in English. We also approached the implementation of some new projects, such as the release of a new board game on sustainable energy, which we sent out to all Slovenian libraries with a game library. As part of the promotion of sustainable energy, we also prepared a public presentation of a socially responsible project – Energy renovation and installation of a self-sufficient solar power in the Slovenian Philanthropy's head office and the organisation of our traditional conference Sustainable Energy Locally 019, entitled "At the crossroads of green opportunities".

At the end of 2019, the Support Scheme for the production of electricity from renewable energy sources and high-efficiency cogeneration, which Borzen has been managing for over 10 years, consisted of 3,858 power plants with a total rated power of 417 MW. This represented approximately 12 percent of the installed capacity in the Republic of Slovenia. Electricity production in 2019 reached about the average level of the previous two years, while the support payments varied both in terms of external influences on individual production sources (in particular the weather) as well as the changes in the market reference price. The production of the units in the Support Scheme in 2019 totalled 947.5 GWh, which is just under 7 percent of the Slovenian annual consumption, with EUR 123 million in support payments.

Within the RRM – REMIT reporting service, Borzen reports daily to the Agency for the Cooperation of Energy Regulators (hereinafter: ACER) on electricity transactions on the wholesale market on behalf of individual market participants. ACER also conducted several consultations and workshops regarding the introduction of additional or special payments of

RRMs, which may also affect the membership in the RRM – REMIT reporting service. In addition, Borzen also prepares and sends data on concluded transactions and orders on the BSP Energy Exchange to other RRM. At the end of 2019, the implementation of the RRM reporting service was entrusted to Borzen by more than 50 clients, most of them were foreign partners.

In conclusion, we cannot ignore the fact that the end of 2019 was marked by the impacts of coronavirus, which continued into 2020, when the COVID-19 pandemic was declared throughout Slovenia, which has and will, undoubtedly, have consequences for our further operation. However, for a successful operation a sense of social responsibility and solidarity have been extremely important at this time. Whether the values of solidarity and cooperation will be maintained depends on the course of the economic crisis, which, according to the experts, is ahead of us. After the crisis, the true meaning of what we took for granted will become clear. No matter what awaits us in the future, let me conclude with a thought of the old and wise who like to say that a crisis is always an opportunity to start something new.

In hopes that 2020 would bring a change for the best, we and our colleagues will continue to build on the foundations of sustainable development laid in the past and strive for a better tomorrow with a fresh wave of energy.

Karlo Peršolja, PhD
General Manager, Borzen



HELP THE ENVIRONMENT BY RIDING YOUR BIKE.

Elementary School Puconci, "Klovnese" team.



2. COMPANY PRESENTATION¹

2.1 ABOUT THE COMPANY

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

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

2.2 COMPANY ACTIVITIES

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

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

With the above rules, Borzen provides coordinated operation of the electricity market and determines

details regarding the national support scheme for electricity generation from renewable energy sources and high-efficiency cogeneration of heat and power. As **Market Operator**, Borzen provides and enables a coherent operation of the Slovenian electricity system, i.e. management of the Balance Scheme, recording of closed contracts, elaboration of indicative operational schedules, imbalance settlement and financial settlement of transactions. In addition, Borzen also undertakes the tasks related to the establishment and functioning of the balancing market, where the system operator purchases or sells the energy for the balancing of imbalances. Borzen's **Centre for Support** is the support scheme operator for the generation of electricity from renewable energy sources (hereinafter: RES) and high-efficiency cogeneration of heat and power (hereinafter: CHP). The company also provides the functioning and managing of the Slovenian Registry of the Guarantees of Origin, which is an essential tool for ensuring the traceability of the origin or source of the electricity produced in Slovenia. Under its TRAJNOSTNA ENERGIJA ("SUSTAINABLE ENERGY") brand, it provides **information, training and raises awareness** on the use of renewable energy sources and energy efficiency. In this way, the company fulfils its tasks in accordance with Article 351 of the Energy Act (EA-1) and supports environmental policies through public awareness.

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

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

¹ GRI 102: 102-2

MARKET OPERATOR	
	Centre for Support RES/CHP Support Scheme - conclusion of contracts and support payments - management of scheme assets - management of scheme energy
Balance Scheme management (entry in the market)	
Recording of closed contracts and operational forecasts, drawing up of the indicative operating schedules Imbalance settlement	Guarantees of Origin Registry
Imbalance settlement	Providing information on RES and EE
Balancing market	Web portal Trajnostna energija ("Sustainable Energy")
REMIT – RRM reporting	
Clearing and financial settlement	
Ensuring a regulated and transparent electricity market	
Energy-related advisory services	

Figure 1: Role of the Market Operator on the Slovenian electricity market

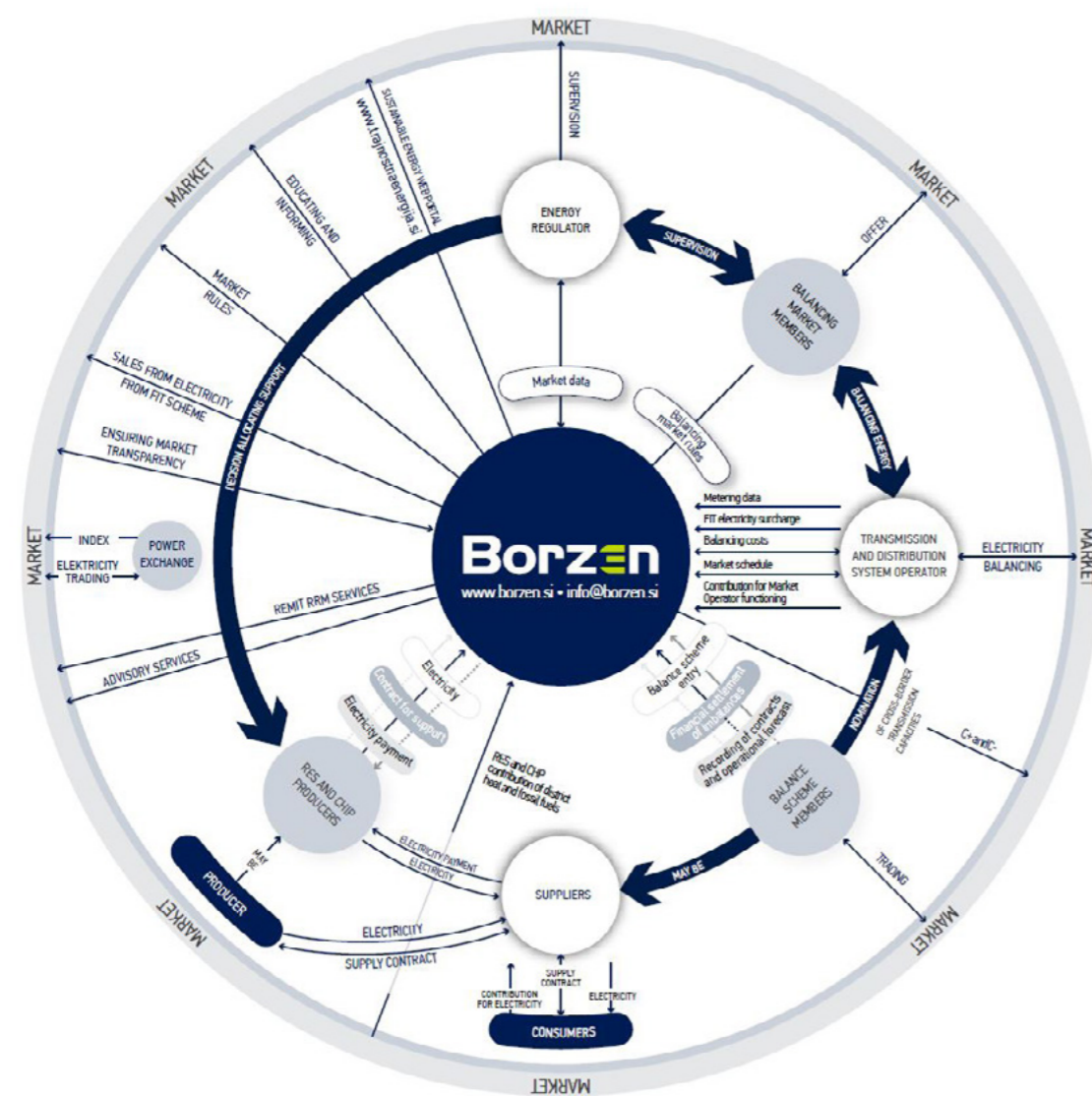


Figure 2: Role of the Market Operator on the Slovenian electricity market

2.3 COMPANY'S BUSINESS STRATEGY AND PLANS

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



Figure 3: 'Strategy House'

KEY STRATEGIC GUIDELINES

- Achieving a satisfactory profitability.
- Ensuring efficient operation through operational excellence.
- Consolidating existing activities and undertaking tasks that are in synergy with our services.

IMPLEMENTATION STRATEGY

OPERATIONAL EXCELLENCE GROWTH AND DEVELOPMENT

Enhancing operational efficiency and performance	Increasing the quality of services and customer satisfaction	Seizing select opportunities for growth and development
<ul style="list-style-type: none"> • Increasing the excellence of business functions; • Improving operational efficiency; • Increasing the quality of the implementation of business processes and functions. 	<ul style="list-style-type: none"> • Efficient and quality implementation of activities and data management; • Co-shaping the Support Scheme through active participation in policy creation by providing analyses and suggestions. 	<ul style="list-style-type: none"> • Looking for synergies with other tasks and optimising the existing ones; also through further development of activities in the field of energy markets.
<ul style="list-style-type: none"> • Ensuring the employees' fast response time, promptness and proactiveness in order to provide efficient support to the company; • Introducing a process approach; • Enhancing "active" communication for improving specific operating procedures and, consequently, cooperation between divisions; • Making use of IT support for the implementation of services in order to provide and improve the quality of services for users and increase efficiency; • Maintaining of the company's good reputation and recognition by enhancing the activities that build sustainable operations and strengthen Borzen's reputation as a socially responsible and environmentally oriented organisation. 		

ACHIEVED STRATEGIC AND ANNUAL PLANS IN 2019

In 2019, Borzen successfully followed its strategic plans and objectives.

PLANNED OBJECTIVES FOR 2019	ACHIEVED OBJECTIVES IN 2019
Cooperation in the Slovenian and international development projects in the energy market	<p>Participation in various working groups in the field of the development of the energy market, among the most important ones are the cooperation within Europex, Energy Market Data Exchange Section (IPET Section) and Slovenian Association for Energy Economics (SAEE). Borzen was successful in the tenders of the Energy Community Secretariat. We implemented five consultancy projects, namely:</p> <ul style="list-style-type: none"> • Support in development of Rules for day-ahead and intraday market in Georgia; • Provision of technical assistance to North Macedonia for operation of the organised day-ahead market; • Support in development of rules/procedures and framework contracts for procurement of electricity in Moldova; • Support in development of the standard terms and conditions for direct contracts on sale and purchase of electricity and procedure for registration in Georgia; • Support in capacity building related to provisions of Electricity Market Rules in Moldova (in progress).
Smart devices, models and platforms in the active network (project PAKT)	<p>Within the project, an innovative pilot demonstration infrastructure will be established, including innovative products that need to be tested in the real environment before entering the market in order to ensure their full functionality. The project is a research project in the context of the development of the activities of the market operator. The project will not generate revenue, but it will involve cooperation in the development consortium which was successful in the call for applications carried out by the Slovenian Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology (SPIRIT Slovenia). The project was launched on 1 July 2017 and will last for three years. Borzen's role is to establish and manage an aggregation trading platform.</p>
FARCROSS project – Facilitating Regional Cross-border Electricity Transmission through Innovation	<p>The project is implemented within the framework of the Horizon 2020 programme. It started in October 2019 and will last for four years. The basic purpose of the project is to optimise the use of physical (cross-border) electricity infrastructure with the aim of developing solutions, which includes both physical interventions and changes in procedures that would increase possible power flows on the same physical infrastructure (cross-border lines).</p>

PLANNED OBJECTIVES FOR 2019	ACHIEVED OBJECTIVES IN 2019
NEDO-Fleks project	The NEDO-Fleks project, launched in mid-2019, addresses the problem of flexibility and sustainability of the power system and smart communities. We will develop a battery storage control system, advanced WAMS algorithms, new models for the field energy management system, a notification platform and an upgraded platform for market flexibility, which will enable sustainable development, more reliable power supply in emergency situations, efficient energy use, multifunctional use of equipment and maximum integration of prosumers into electricity markets.
Development of services of the Centre for Support	In order to follow the digitalisation trends and greater user-friendliness, we launched a web portal for the Centre for Support users in May 2016. The portal enables an easy and quick invoicing procedure, submission of applications, reviewing production data, changing contact details and accessing news related to the Support Scheme. The portal has more than 1,350 registered users.
Attention and kindness towards stakeholders	Analysing stakeholder satisfaction and a variety of other related activities, mainly in the field of communicating with stakeholders: a greater involvement of stakeholders, a more targeted communication, and new content.
Sustainable development	A quality and reliable implementation of the principal activities of the Market Operator and the Centre for Support; implementation of activities of informing and raising awareness on sustainable energy; maintenance of the Corporate Social Responsibility Certificate and the Family-Friendly Enterprise Certificate; preparation of the Sustainability Report in accordance with the GRI guidelines.
Optimisation of business processes and quality of operations	Optimisation of certain business processes and the provision of IT support to different business processes.



PUT A STOP TO THE WASTE.

Elementary School IV. Celje,
"Fackini ekologi 3" team.



3. CORPORATE GOVERNANCE²

² GRI 102: 102-5, 102-18

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

MANAGEMENT OF THE COMPANY

The management of the company is a one-member body, i.e. the General Manager who is appointed by the Supervisory Board for a five-year period. General Manager, Mr. Karol Peter Peršolja, PhD, has been managing and representing the company since 1 January 2020. On 1 January 2020, Mr. Peršolja began a new five-year term as the company's General Manager. The General Manager is in charge of making decisions on the economic, environmental and social impacts of the organisation; all processes within the organisation take place under his guidance and approval.

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

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

SUPERVISORY BOARD OF THE COMPANY

In line with the company's Articles of Association, the Supervisory Board consists of three members who are appointed by the Shareholder for a period of five years. In accordance with the Companies Act, Borzen's Articles of Association and Rules of Procedure of the Supervisory Board, the Supervisory Board meets at least once every three months. In the financial year 2019, the Supervisory Board held nine regular and one extraordinary meeting and one correspondence meeting. The Supervisory Board did not set up any special commission for the purpose of its operation. In 2019, the members of the Supervisory Board were entitled to benefits for the function in accordance with the valid decision of the Shareholder. The benefits are defined in more detail in the company's Financial Report, which is part of the company's Annual Report. For 2018, the members of the Supervisory Board carried out a self-assessment of their work and adopted an action plan. The members of the Supervisory Board were acquainted with the criterion of independence and signed an independence declaration.

Until 17 April 2019, the Supervisory Board operated in the following composition:

- Chairman of the Supervisory Board: Mr. Gorazd Ažman, MSc;
- Deputy Chairman of the Supervisory Board: Mr. Janez Černe;
- Member of the Supervisory Board: Ms. Alenka Kolar, PhD.

At the company's General Meeting, the Government of the Republic of Slovenia appointed a Supervisory Board, which took office on 17 April 2019 and, after the constitutive meeting dated 23 April 2019, consisted of:

- Chairman of the Supervisory Board: Ms. Mojca Kert,
- Deputy Chairman of the Supervisory Board: Ms. Alenka Kolar, PhD,
- Member of the Supervisory Board: Mr. Jure Jemec.

SHAREHOLDER

Since the enforcement of the Energy Act (EA-1) in March 2014, the rights of the Shareholder are exercised by the Government of the Republic of Slovenia, which is also the sole shareholder of Borzen. The shareholder decides independently on all matters within its competences. The shareholder usually holds one general meeting once a year. In the financial year 2019, three general meetings were held; namely, the first in April, the second in September and the third in December.

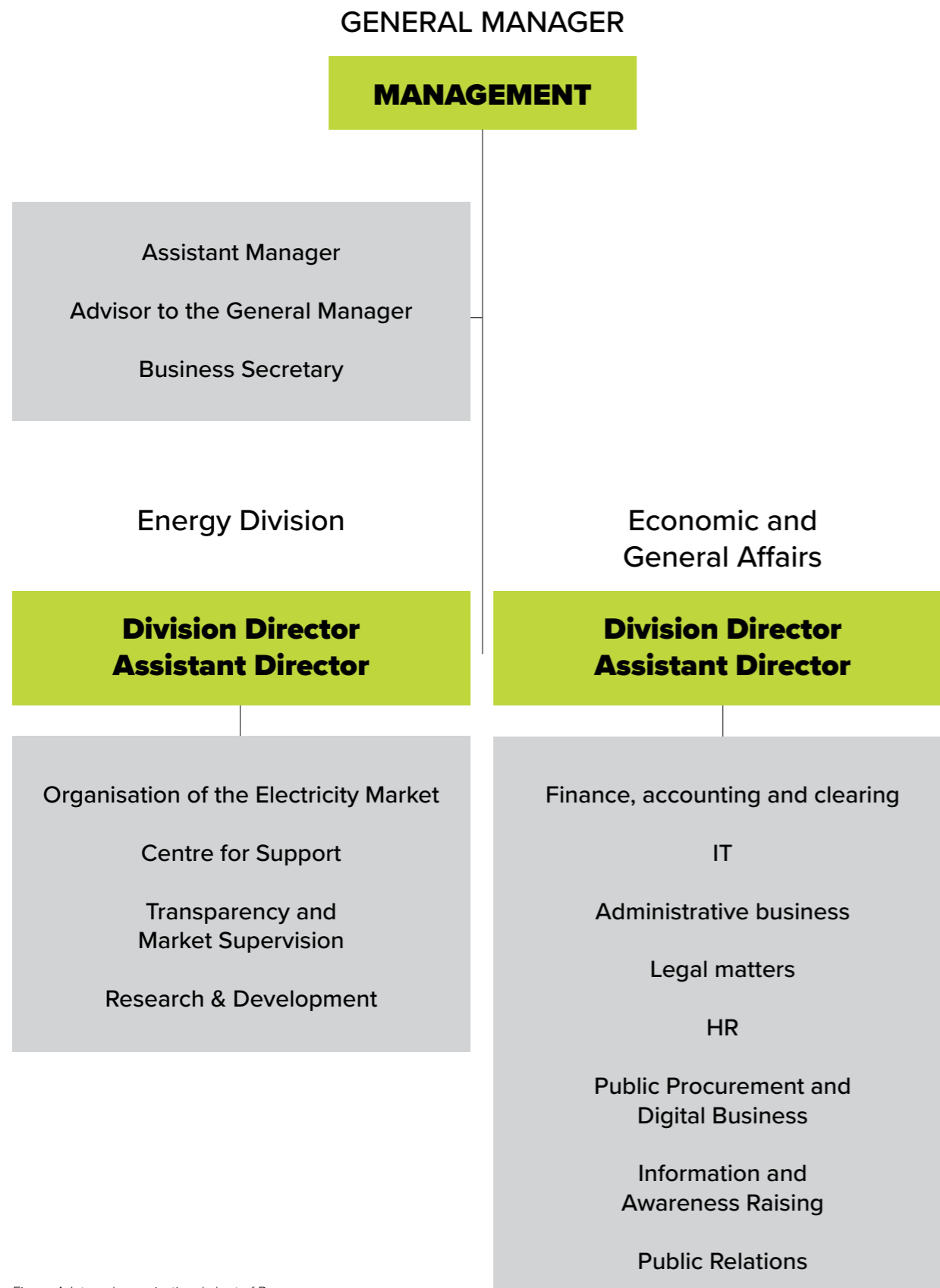


Figure 4: Internal organisational chart of Borzen

3.1 PRECAUTIONARY APPROACH AND PRINCIPLES³

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

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

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

STRATEGIC/BUSINESS RISKS

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

One of the strategic risks is the investment risk related to the investment in the BSP Energy Exchange, in which Borzen holds a 50-percent equity stake. This is primarily related to a risk associated with the management of the investment, which both stakeholders solve by mutual coordination regarding the management and further development of the company.

Other business risks include the risk of investments and procurement procedures which the company manages through constant improvement of the qu-

ality of preparation, implementation, activation and monitoring.

In the course of monitoring the strategic/business risks in 2019, no significant deviations were detected.

OPERATIONAL RISKS

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

Among the risks related to the information system, a special attention is paid to the risks of possible disruptions not only in the operation of application and system software, hardware and communication but also network connections in the system and information security. These risks are reduced mainly by the redundant independent optical connections between locations, synchronous replications, central control system and data back up.

The HR risks are of particular importance for the company, due to the implementation of different activities of the Market Operator and the specific nature of the assigned tasks. The additional tasks that have been entrusted to Borzen over the years and changes in the market require the employees to constantly upgrade their existing skills and acquire new knowledge, flexibility and quality teamwork. The biggest risk in the HR field is the potential loss of the company's key employees, so Borzen pays special attention to social dialogue, additional professional training, motivation of the employees and providing stimulating working conditions and the environment. The monitoring of the labour market situation has shown that the employment conditions are highly favourable and that the market is still very open (the impact of the aging population, a reduction in the available labour force/the impact of the economy, new jobs, etc.). As a result, there has been an increase in the turnover rate of the companies in the market. A similar trend can be observed at Borzen, where throughout 2019, six employees decided to pursue new opportunities outside our company. Other operational risks are limited by clearly de-

³ GRI 102: 102-11

defined procedures, unambiguously defined roles, responsibilities and powers of the employees and the adopted rules.

In the course of monitoring the operational risks in 2019, no significant deviations were detected.

FINANCIAL/MARKET RISKS

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

The risk of default or non-payment of financial obligations means that there is a risk that the counterparty will not fulfil its financial liabilities in accordance with the contractual terms. The management of these risks is important for ensuring better liquidity and consistency of financial flows between inflows and outflows. The risk of default is largely present in the implementation of the financial settlement of the imbalance settlement. Therefore, Borzen already included this type of risk in the Rules on the Operation of the Organised Electricity Market. Future Balance Scheme members are verified upon their application for membership by a careful review of their credit rating and by monitoring their operations. Before entering the Balance Scheme, members are required to submit an adequate financial guarantee in the form of a cash deposit or a first call bank guarantee. The process of managing the risks of default includes the calculation of the relevant variation margins in case of deviations. The increase in the variation margin arises on the basis of projected deviations (on a daily basis) or at every issuing of the imbalance settlement invoices if these are higher than the already submitted margins. In the event that the participants in the financial settlement fail to fulfil their financial obligations, Borzen can use their financial guarantees and, in the extreme case, exclude a member from the Balance Scheme.

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 always having sufficient liquid assets for settling due liabilities within the deadline and separately managing the assets under management. On a daily basis, the company plans its short-term solvency by regularly monitoring cash flows and carefully planning the inflows and outflows on a monthly/weekly basis. The company has also established a system for managing and optimising short-term cash surpluses, taking into account the investment diversification. At the same time, the company is also responsible for coordinating the maturity of claims

and liabilities and their consistent enforcement.

In addition to the above mentioned risks, the company also monitors currency and interest rate risks, which were fairly modest and did not require any special management. In the framework of foreign operations, the recalculation and imbalance settlement for different business segments are both carried out in euros. The interest rate risk is associated with an unexpected rise in cash flow costs in bank accounts.

In 2019, we managed financial risks without any major specifics.

LEGISLATIVE RISKS (COMPLIANCE WITH THE REGULATIONS)

A legislative risk is a risk related to the amendments and inconsistencies in the regulations on which the company has no influence. Borzen's exposure to the regulatory risks is high, since the company's core business of a public utility service is a regulated activity. In this regard, it is necessary to emphasise that the source of financing a public utility service is also regulated.

The risks related to the damage caused by violations or non-compliance with legislation and regulations are managed primarily through regular monitoring and active participation in the preparation of regulations and up-to-date adjustments of operations. In addition, regulatory risks are also managed by the most precise and unambiguous regulations possible.

At the end of 2019, the issue of further amendments to EA-1 has remained open, as the act will soon need to be revised due to the transfer of the CEP package. In addition to the above, the reform of the EA-1 is already underway at the Slovenian Ministry of Infrastructure and is now proposed to be divided into separate laws. Any amendment to the EA-1 poses a risk to the operation of Borzen, but on the other hand, also presents the opportunity for new activities, while it is necessary to provide an appropriate system funding resources.



CLEAN SEAS FOR A HEALTHY ENVIRONMENT.

Elementary School IV. Celje, "Fackini ekologi 1" team.

4. BORZEN AND SUSTAINABLE DEVELOPMENT

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

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

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

4.1 PARAMETERS OF THE COMPANY'S SUSTAINABILITY REPORT⁴

This report gives an overview of business operations in the calendar year 2019 and has been prepared in accordance with the standards laid down in the Global Reporting Initiative (GRI), which sets the global standards in sustainability reporting. This report comprises "core-level" reporting and presents the key information on the managerial, economic, environmental and social attitudes and on their long-term impact on the company's business operations. This report also follows the guidelines of the Directive 2014/95/EU regarding the disclosure of non-financial information. When preparing the report and defining the material contents, all six GRI standards were applied: GRI 101 (Foundation), GRI 102 (General Disclosures), GRI 103 (Management Approach), GRI 200 (Economic Topics), GRI 300 (Environmental Topics) and GRI 400 (Social Topics).

When preparing the contents, we abided by the principles of sustainability reporting, namely the **concept of sustainability, materiality, integrity and**

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

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

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

⁴ GRI 102: 102-46, 102-50, 102-54

4.2 OUR STAKEHOLDERS⁵

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



Figure 5: Stakeholders of Borzen

⁵ GRI 102: 102-40, 102-42, 102-43, 102-44

The definition and selection of stakeholders was carried out based on a broader consensus and with input from all the employees and the company's management. We based our work on the theoretical model: the stakeholders' engagement and impact scheme. After all, the stakeholders' scheme is a part of Borzen's strategy, with which the Supervisory Board has been acquainted and which the shareholder has adopted. We regularly communicate with the identified key stakeholders, focusing on two-way communication. That way we obtain valuable feedback from the stakeholders, which we then suitably evaluate and respond to.

The opinions of our stakeholders are important to us; we are creating an atmosphere of open dialogue and are building relationships openly and proactively. A responsible attitude towards our stakeholders is embedded in our business operation, both on the strategic and day-to-day level. Satisfied stakeholders give a positive signal implying that we are fulfilling our public service obligation. The company involves stakeholders in different ways, e.g. periodically (each year) by conducting a satisfaction survey among external stakeholders (since 2012) and periodically (every two years) with a structured satisfaction analysis among the employees (since 2013). In 2018, we also started conducting a satisfaction survey among RRM - REMIT-users. The results for 2019 showed that almost 93 percent of the respondents are satisfied or more satisfied than dissatisfied with the service. The results of the 2019 satisfaction survey of the Centre for Support (namely, periodically, i.e. every two years, we measure the satisfaction of users of the Centre for Support's services and of users of the Market Operator's services) show that the implementation of services is at a very high level, as 95 percent of the respondents are satisfied or completely satisfied and the average satisfaction rating is 5.41 (with 6 being the highest value). The results are very positive and encouraging. In the future, we will continue to carry out these continuous satisfaction surveys.

At the same time, it should be noted that we regularly hand out survey questionnaires within the scope of individual activities carried out for external stakeholders (relating to their satisfaction, proposals, initiatives, etc.) regarding an individual activity, e.g. during events (the conference Sustainable Energy Locally, regarding contents we prepare for educational institutions (educational materials to accompany the environmental cartoons *Lepši svet* – 'A Better World') etc.

⁶ GRI 102: 102-43, 102-45, 102-46, 102-47

4.3 SELECTED KEY SUSTAINABLE DEVELOPMENT INDICATORS⁶

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

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

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

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



Figure 6: Material contents of the Sustainability Report

As a service provider that performs the function of a public utility service in Slovenia, it is difficult to find correlations with a substantial number of environmental indicators; moreover, we are aware that Borzen is made up of people working for people. Thus, several of the selected indicators relate to the social and economic area. All of the identified

aspects refer solely to Borzen and its business operations within Slovenia.

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

4.4 STAKEHOLDERS' ENGAGEMENT AND THE EXPECTATIONS⁷

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

Key stakeholders	Form of engagement
Representatives of Balance Scheme members	<ul style="list-style-type: none"> Website Annual report Satisfaction survey Public debates on rules Personal, telephone and electronic contacts
Representatives of the Centre for Support	<ul style="list-style-type: none"> Website Web portal Satisfaction survey Personal, telephone and electronic contacts
Representatives of the energy industry	<ul style="list-style-type: none"> Website Annual report Promotional activities Meetings and conferences Personal, telephone and electronic contacts Public debates on rules
Business partners	<ul style="list-style-type: none"> Website Personal, telephone and electronic contacts
Employees	<ul style="list-style-type: none"> Satisfaction survey Measurement of organisational climate Meetings and conferences Annual interviews Team building sessions

4.5 MATERIALITY MATRIX⁸

The materiality matrix is the basic framework or tool used by the company to manage its relations with the strategic audiences or with its key stakeholders. We have defined the material topics of sustainable development and assessed them from the aspect of importance to our key stakeholders and from the aspect of importance to Borzen. Based on the material contents of the GRI standards and based on Borzen's strategy and activities, we divided the material contents into the following sets:

- Economic impacts;
- Social impacts (employees and social environment);
- Environment.

Economic impacts

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

Social impacts (employees and the social environment)

- Reputation of the company;
- Reliability and trust in the company;
- Responsible and sustainability-oriented operation of the company;
- Caring for employees;
- Occupational safety and health;
- Employee relations;
- Employee satisfaction;
- Education, training and career development of employees;

⁷ GRI 102: 102-43, 102-44

⁸ GRI 102: 102-46, 102-47

- Diversity, equal opportunities and non-discrimination;
- Friendly attitude towards clients;
- Involvement of the local community.

The assessments of the key stakeholders were obtained with questionnaires; a materiality matrix was prepared based on the answers received. Below is the materiality matrix for 2019.

Environment

- Caring for the environment.

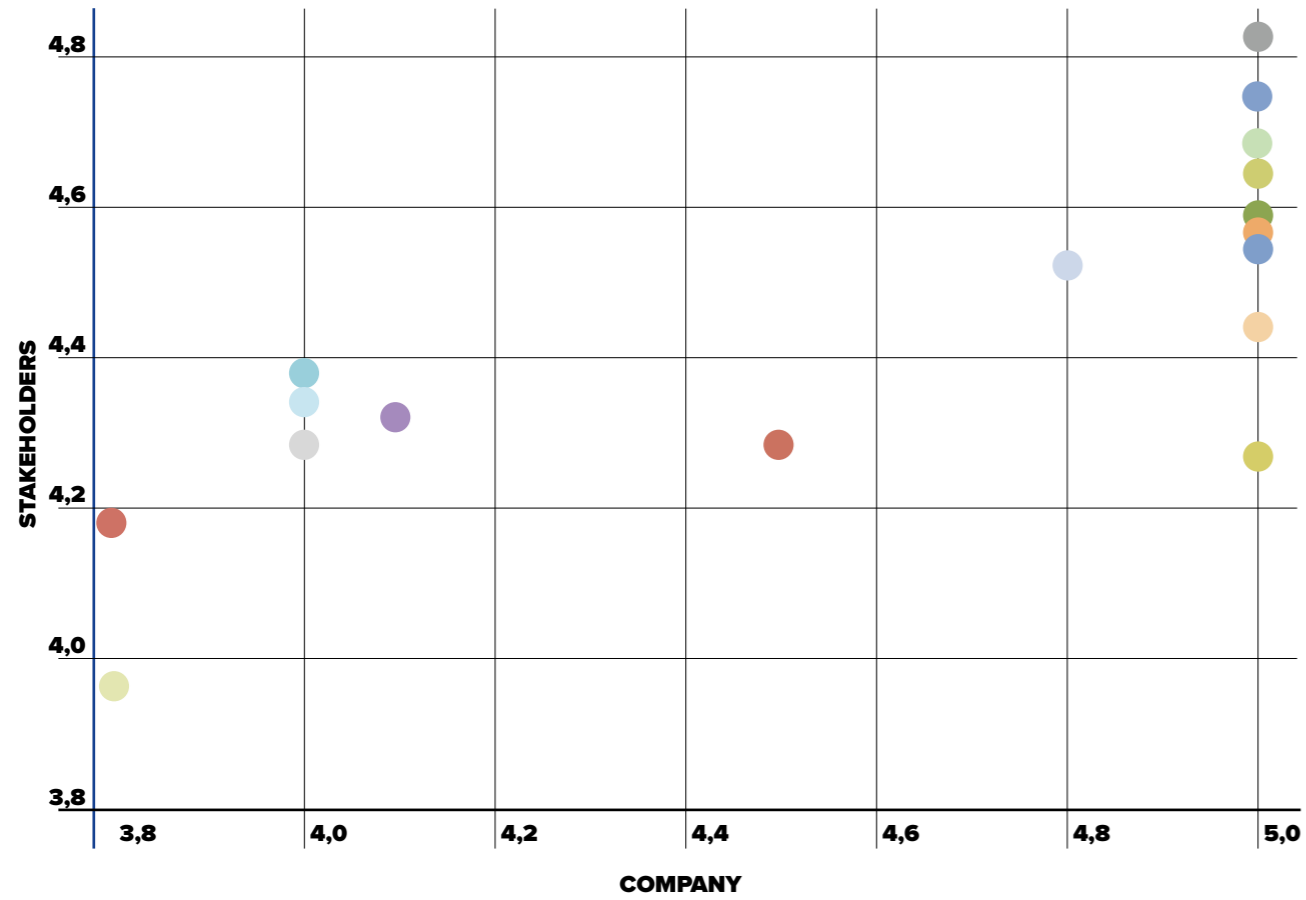
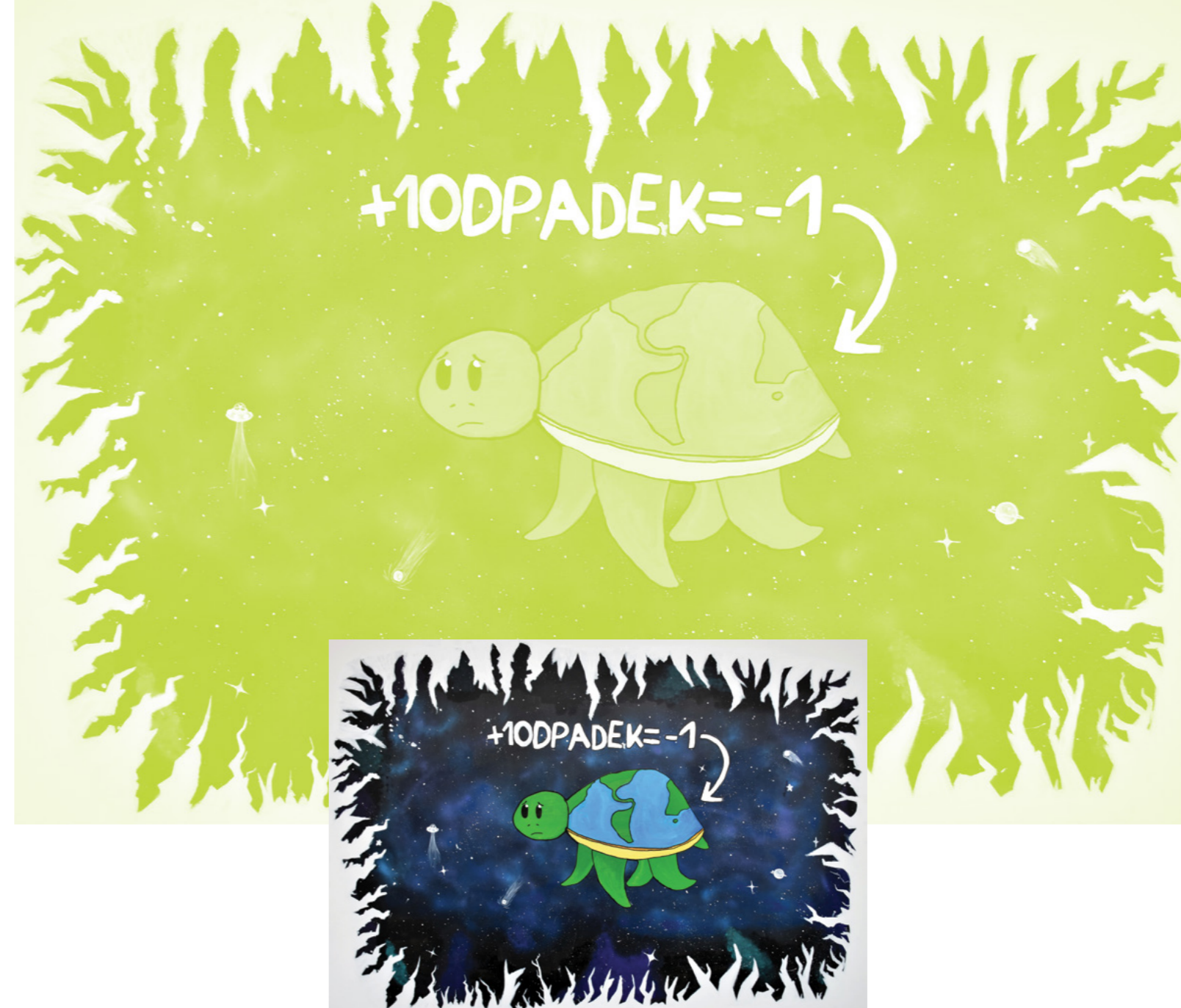


Figure 7: Materiality matrix

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



**WASTE = MINUS
1 TURTLE.**

Elementary School Puconci,
"Skuše" team.

5. BUSINESS PERFORMANCE AND RELEVANT DATA ON THE COMPANY'S OPERATIONS⁹

5.1 ECONOMIC INDICATORS

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

INDICATOR	2016	2017	2018	Business Plan 2019	2019
FROM BALANCE SHEET as at 31 December					
Assets in EUR	76,335,698	122,433,365	172,339,210	220,754,329	227,719,712
Equity in EUR	4,435,041	5,130,887	5,491,810	5,738,319	5,822,325
FROM THE INCOME STATEMENT					
Operating revenues in EUR	4,348,563	4,532,107	4,344,556	4,037,000	4,213,605
Operating expenses in EUR	2,661,138	2,651,078	2,810,659	2,885,600	2,884,891
Net profit for the financial year in EUR	1,424,774	1,699,773	1,365,804	1,246,509	1,334,017
EBIT – operating profit in EUR	1,687,425	1,881,029	1,533,897	1,151,400	1,328,714
EBITDA – operating profit + depreciation + write-offs in EUR	2,054,681	2,231,117	1,836,404	1,457,700	1,607,838
PERFORMANCE INDICATORS					
Return on equity (ROE)	31.1 %	35.5 %	25.7 %	22.2 %	23.6 %
Return on assets (ROA)	2.3 %	1.7 %	0.9 %	0.6 %	0.7 %
EBIDTA margin	47.3 %	50.8 %	42.3 %	36.1 %	38.3 %
Operating efficiency	163.4 %	171.0 %	154.6 %	139.9 %	146.1 %
NUMBER OF EMPLOYEES AS AT 31 DECEMBER					
	31	30	30	32	31

Table 1: Data on Borzen's operations

Borzen closed the financial year 2019 with a net profit of EUR 1.33 million. In this period, the company generated EUR 4.53 million in total revenues and the total expenses amounted to EUR 2.90 million.

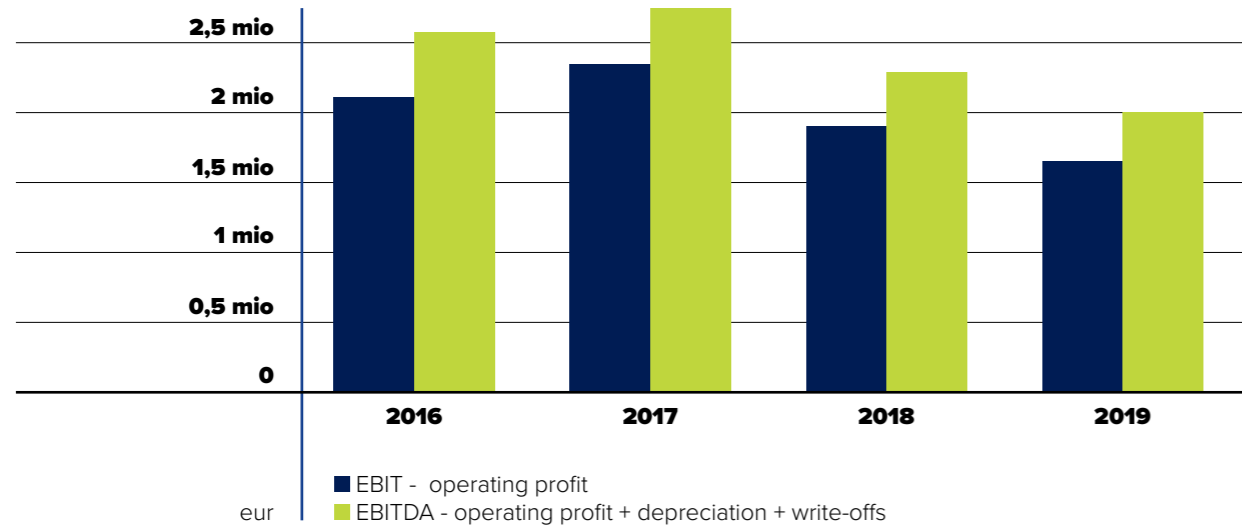
As at 31 December 2019, the balance sheet total equalled EUR 227.72 million and, compared to the pre-

vious year, increased due to the higher surplus funds of the Centre for Support.

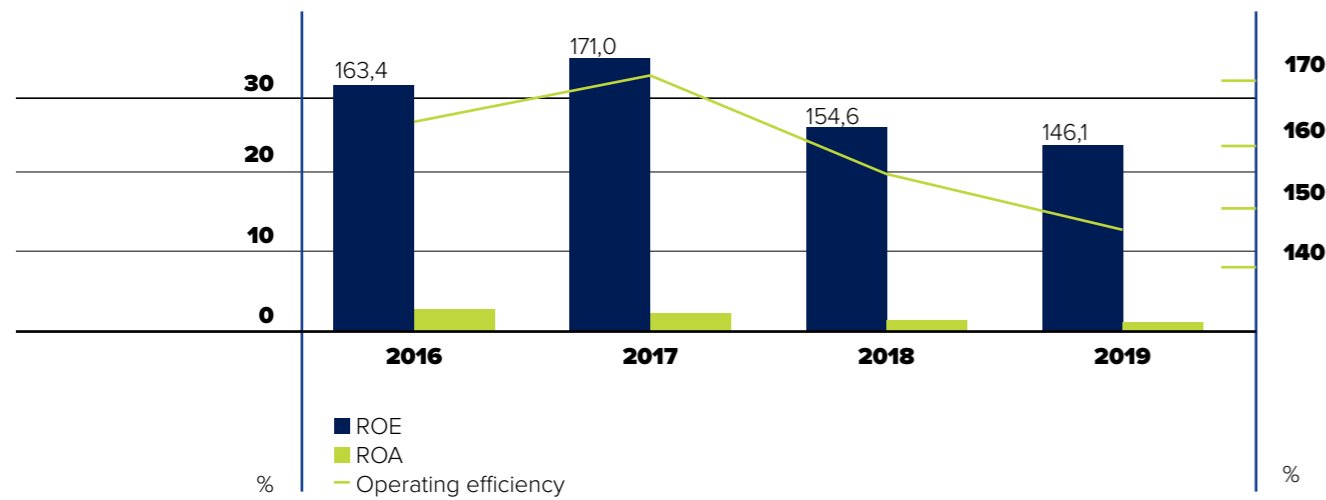
As at 31 December 2019, the company's equity capital equalled EUR 5.82 million.

⁹ GRI 102: 102-7, GRI 201: 201-1

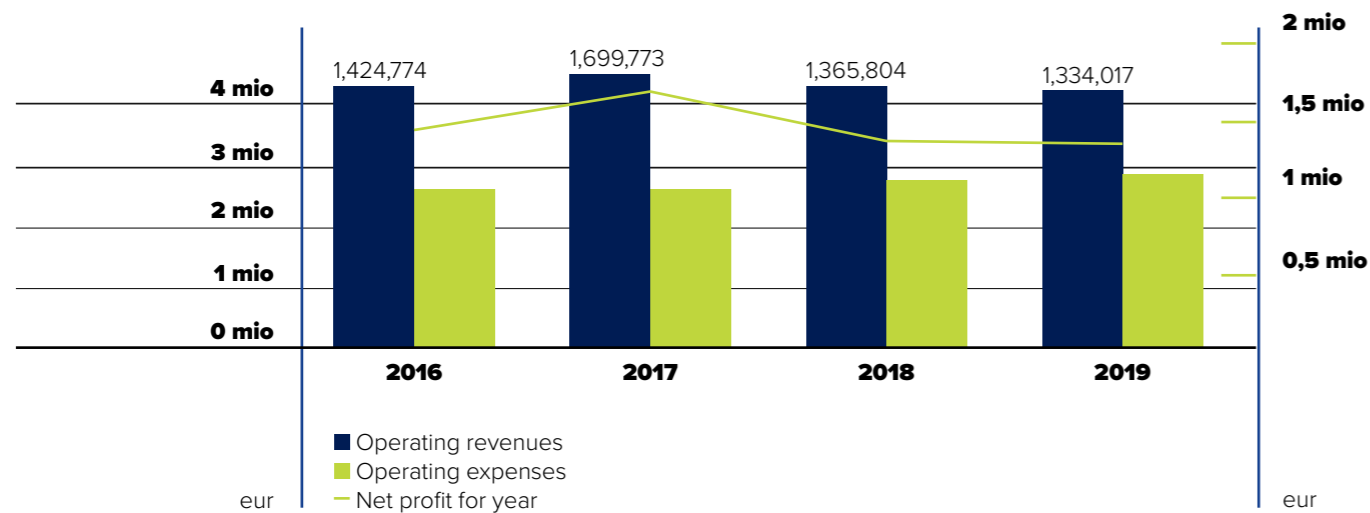
EBIT and EBITDA movements



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



Revenues and expenses from operation and movement of net profit



ELECTRICITY MARKET

Number of members (Balance Scheme)

2018	2019
74	70

Number of recorded contracts and operational forecasts

2018	2019
109,113	107,947

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

2018	2019
83.1	84.3

BALANCING MARKET

Number of members

2018	2019
34	34

Number of transactions

2018	2019
3,224	4,751

Quantity of transactions (in GWh)

2018	2019
128.6	140.3

SUPPORT SCHEME

Number of production units

2018	2019
3,859	3,858

Quantity of electricity (in GWh) by production units

2018	2019
937.9	947.4

Support payments (in EUR) for electricity generated for power plants under Scheme contracts

2018	2019
135.1	123
mio	mio

5.2 OVERVIEW OF SIGNIFICANT EVENTS IN 2019

The new Rules on the Operation of the Electricity Market took effect on 1 January, which among other changes implemented the requirements of the first stage of harmonisation of the Commission Regulation (EU) 2017/2195 Establishing a Guideline on Electricity Balancing.

JANUARY

A new board game (playing cards) about sustainable energy presented to the public.

MARCH

First meeting of the new Supervisory Board, consisting of the following members: Ms. Mojca Kert (Chairman), Ms. Alenka Kolar, PhD (Deputy Chairman) and Mr. Jure Jemec (Member).

Completion of the consultancy project in Georgia "Support in development of Rules for day-ahead and intraday market in Georgia" within the framework of the EU4Energy project under the auspices of the Energy Community Secretariat.

APRIL

Public presentation of Borzen's socially responsible project - Energy renovation and installation of self-sustainable solar power plant in the headquarters belonging to the Slovenian Association for Promotion of Volunteering, Slovenian Philanthropy and owned by the City of Ljubljana.

Completion of the consultancy project in North Macedonia "Provision of technical assistance to North Macedonia for operation of the organised day-ahead market" within the framework of the Energy Community Secretariat call.

Launch of the NEDO-Fleks project, which addresses the problems of flexibility and sustainability of the electricity system and smart communities.

JUNE

FEBRUARY

Release of the new episodes of the environmental animated cartoon series Lepši svet ("A Better World") prepared in cooperation with RTV Slovenia, which also broadcast the cartoons for the first time during the winter school holidays.

Start of the public debate on the proposal for Rules on the Termination and Reestablishment of Market Activities (in cooperation with the Slovenian system operator).

Launch of the consultancy project "Support in development of Rules for day-ahead and intraday market in Georgia" within the framework of the EU4Energy project under the auspices of the Energy Community Secretariat.

Expanded publication of the imbalance settlement data on the company's website (related to the new Rules on the Operation of the Electricity Market).

MAY

Organisation of the event "Days of Sustainable Development" for all age groups in cooperation with the Correspondence Education Center, CDI Univerzum.

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

Msc. Borut Rajer, Director of Operations at Borzen, re-elected as the member of the Europex Board.

Organisation of Borzen's traditional conference Sustainable Energy Locally 019 entitled 'At the Inter-section of Green Opportunities'.

Start of participation in the Competence Center for Human Resources Development in Energy project, KOC ENERGIJA.

SEPTEMBER

Amendment to the List of products in the balancing market related to the inclusion of the Slovenian market in the Single Intraday Coupling (SIDC, XBID project).

Successful conduct of the auction at which all the electricity to be generated in 2020 by the power plants included in the Eco Group was sold.

End of Borzen's competition 'Sustainable Energy 019: Our Message for a Better World', which has received entries from almost 900 children.

The environmental cartoons Lepši svet ("A Better World") made available in English.

NOVEMBER

JULY

Publication of the Instructions for recording of contracts and operational forecasts for balancing service providers when they act as providers of the balancing services to the TSO, using metering/delivery points, which belong to other balance responsible parties (arrangement of the placement of the so-called independent aggregator according to the EU Clean Energy Package (CEP) on the Slovenian electricity market according to the current state of the remaining regulations).

OCTOBER

Borzen's current general manager, Mr. Karol Peter Peršolja, PhD, granted a new five-year term as the general manager.

Launch of the international project FARCROSS aimed at implementing physical and procedural measures to make more efficient use of cross-border transmission capacities with the aim of improving the integration of electricity markets.

Publication of an amendment to the Electricity Market Rules, which relates to the switching from an hourly to 15-minute imbalance settlement period.

Launch of the consultancy project in Moldova "Support in capacity building related to provisions of Electricity Market Rules in Moldova".

DECEMBER

Successful performance of the external control audit according to the ISO/IEC 27001:2013 information security standard.

Completion of the consultancy project "Support in development of the standard terms and conditions for direct contracts on sale and purchase of electricity and procedure for registration in Georgia" within the framework of the EU4Energy project under the auspices of the Energy Community Secretariat.

The winner of the competition for the Best Master's Thesis on the topic of sustainable energy for 2019 was Ms. Urša Mrhar with her master's thesis, entitled Analysis and a proposed sanation of an existing building considering earthquake resistance and energy efficiency.

Instalment of an energy playground in Maribor, which allows visitors to learn about sustainable energy in a fun and educational way.

DVDs with the second season of cartoons Lepši svet 2 ("A Better World 2"), accompanied by an educational booklet, were sent free of charge to all Slovenian primary schools, kindergartens and libraries.

5.3 SIGNIFICANT PROJECTS AND ACTIVITIES OF THE COMPANY

- Participation in the »Electricity Market Initiative« for the development of the electricity market in SE Europe;
- Projekt PAKT – Smart devices, models and platforms in the active network;
- Projekt NEDO-FLEKS – Full use of flexibility;
- Projekt FARCROSS – Optimisation of the use of physical (cross-border) electricity infrastructure;
- Projekt SRIP PMiS – Strategic Development Innovation Partnership 'Smart Cities and Communities';
- Participation in the Competence Centre for Human Resources Development in Energy.

More information about the projects and other activities can be found in Borzen's Annual Report 2019.



**LET'S BE THE ENERGY.
LET'S SAVE THE
EARTH.**

Franc Miklošič High School, Ljutomer,
"Bomba" team.

6. EMPLOYEES AND HR DEVELOPMENT

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

6.1 RESPECT FOR ETHICAL PRINCIPLES AND NORMS OF BEHAVIOUR¹⁰

The company promotes conduct that shows respect for the tradition, culture and creed of individual participants in all business relations. It prohibits any form of discrimination based on race, skin colour, gender, sexual orientation, marital status, pregnancy, parenthood, creed, political convictions, nationality, ethnic origin, disability, social origin or status, union membership or other personal circumstances. The values pursued by our employees are trust, responsibility, expertise, creativity and innovation. The values are written on the company's website and business premises; they are also reflected in our internal documents, e.g. the Rules on Protecting the Worker's Dignity, which define the standards and norms of behaviour. The Rules regulate the method of recognising, preventing and remedying the consequences of sexual and other types of harassment and ill-treatment in the workplace. Protection against sexual and other types of harassment and ill-treatment in the workplace is defined and carried out in accordance with the provisions of the act regulating employment relationships, the provisions of the act regulating the implementation of the principle of equal treatment, the provisions of the act regulating equal opportunities for men and women, and the provisions of the act regulating occupational health and safety. An officer was chosen among our employees, who will receive reports of alleged sexual and other types of harassment and ill-treatment. The officer will be trained in the protection of dignity, will provide employees with relevant information and will keep a record of reports. There were no reports of discrimination in 2019.

Certain mechanisms for providing information on ethical laws and other lawful conduct and contents relating to organisational integrity are derived from statutory bases, e.g. the Energy Act (EA-1). In accordance with the Public Information Access Act, the company has made the Catalogue of Public Information publicly available on its website, as well as the contact data of the officer in charge of providing public and other information. In the spirit of transparency, we also publish various information and data relating to the company's operations on the website, in our annual reports and in other publications. We also strictly abide by the shareholder's recommendations and legal obligations in the field of public procurement, making sure, among other things, that we regularly publish all the required information on the government's public procurement portal. Stakeholders can make use of the so-called help desk, through which they can obtain information or file complaints.

We devote special attention to the protection of personal data, in accordance with the General Data Protection Regulation (GDPR), for which we have also appointed a data protection officer.

¹⁰ GRI 102: 102-16, 102-17, GRI 406: 406-1

6.2 HR INDICATORS¹¹

NUMBER OF EMPLOYEES

At the end of 2019, Borzen employed 31 employees. Compared to the end of 2018, the number of employees increased. The average number of employees in 2019 equalled 28 employees, which is two employees lower than the average number of employees in 2018.

Two female employees asserted their right to part-time work in accordance with the regulations on parental care. Other employees work full time.

At the end of 2019, the share of fixed-term employees amounted to 6 percent and doubled compared to the previous year due to the temporary replacement of female employees on the maternity or parental leave.

EMPLOYEE FLUCTUATION

In 2019, the fluctuation rate was 21.43 and was 4.76 percentage points higher than in 2018. The company is aware of the importance of holding on to quality workers, which is why we constantly make sure that our employees are satisfied, committed and motivated, and that they are developing on a professional and personal level. Despite this, the fluctuation rate has increased substantially as a result of changes in the labour market, which has recently become much more open. In September, the company adopted new rules of procedure for job planning, within which we ensured optimisation in the implementation of work processes.

The table below shows a review and comparison of the number of employees who left the company and new employees in 2018 and 2019.

	EMPLOYEES LEAVING		NEW EMPLOYEES	
	2018	2019	2018	2019
Number	5	6	5	6
Gender	2 women / 3 men	2 women / 4 men	2 women / 3 men	1 woman / 5 men
Age	29, 31 / 30, 43, 36	43, 39 / 38, 36, 38, 39	28, 37 / 31, 34, 33	49 / 36, 28, 33, 30, 26
Region	Osrednjeslovenska / Jugovzhodna, Osrednjeslovenska	Goriška, Osrednjeslovenska, / Goriška, Savinjska, Osrednjeslovenska	Osrednjeslovenska / Gorenjska, Osrednjeslovenska Posavska,	Osrednjeslovenska / Osrednjeslovenska Posavska, Podravska, Pomurska, Goriška

Table 2: Breakdown of the employees leaving the company, and of the newly employed for 2018 and 2019 by gender, age and region

GENDER STRUCTURE

There were 18 men among the employees of Borzen, accounting for 58 percent of all employees, and 13 women, which equals 42 percent of all employees in the company. Compared to 2018, the gender ratio increased in favour of men by one percentage point.

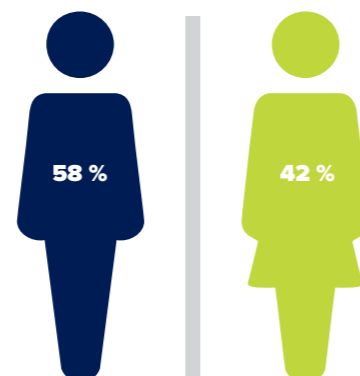


Figure 8: Gender structure of the employees as at 31 December 2019

AGE STRUCTURE

The average age of employees in the company is 39. The age structure displayed in the chart below shows

that most of the employees belong to the 36-45 age group (48 percent), which is followed by the 25-35 age group (35 percent).

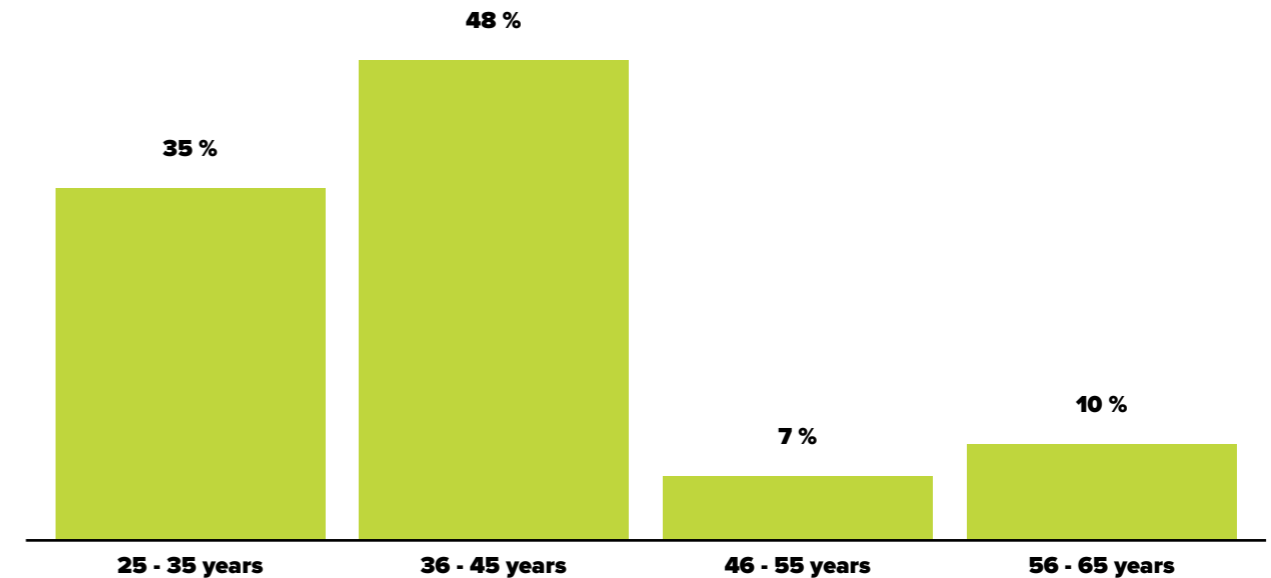


Figure 9: Age structure of the employees as at 31 December 2019

COMPOSITION OF MANAGEMENT BODIES

The company contains two key pillars: Energy Division and Economic-General Division. Each division is headed by a division manager who reports to the General Manager. The gender ratio of employees occupying the executive posts is 2:1 in favour of men.

The age structure of employees occupying the executive posts is shown in the chart below by gender. The chart also shows that the executives are divided into three age groups.

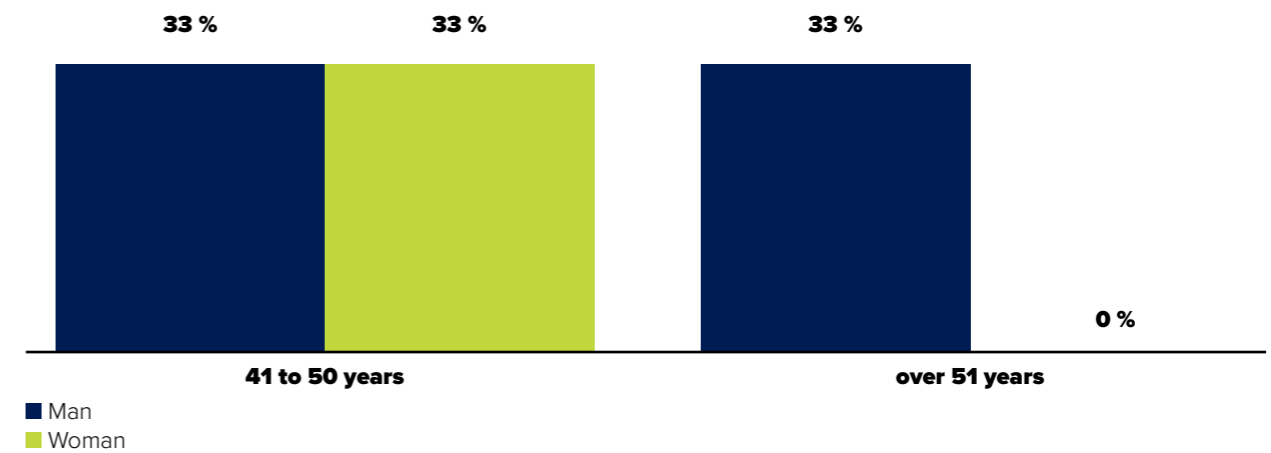


Figure 10: Age structure of the employees occupying the executive posts by gender for 2019¹²

The company has a rather diverse structure of employees by gender and age, which indicates equality and openness towards all demographic groups.

We wish to preserve this trend of equal opportunities in the future.

¹¹ GRI 102: 102-7, 102-8, GRI 201: 201-3, GRI 401: 401-1, 401-3, GRI 404: 404-1, GRI 405: 405-1

¹² Due to rounding, displayed totals may not add up exactly.

STRUCTURE BASED ON THE REGION OF RESIDENCE

The table shows the diversity of the employees' residences by regions. In 2019, the majority of employees came from the Osrednjeslovenska region (64.5 percent of all employees).

Region	2018	Share in %	2019	Share in %*
Osrednjeslovenska	20	66.7	20	64.5
Gorenjska	2	6.7	2	6.5
Zasavska	1	3.3	1	3.2
Goriška	3	10	3	9.8
Savinjska	3	10	1	3.2
Jugovzhodna	0	0	0	0
Posavska	1	3.3	2	6.5
Podravska	0	0	1	3.2
Pomurska	0	0	1	3.2
Total number of employees	30	100	31	100

*Due to rounding, the sums in the table may not add up exactly.
Table 3: Breakdown of employees based on their residences by regions for 2018 and 2019

Osrednjeslovenska region	2018	Share in %	2019	Share in %
Municipality of Brezovica	1	5	0	0
Municipality of Ivančna Gorica	1	5	1	5
Municipality of Grosuplje	1	5	1	5
City of Ljubljana	15	75	14	70
Municipality of Vodice	1	5	1	5
Municipality of Vrhnika	1	5	1	5
Municipality of Velike Lašče	0	0	1	5
Municipality of Mengeš	0	0	1	5
Total number of employees	20	100	20	100

Table 4: Breakdown of employees based on their residence by municipalities of the Osrednjeslovenska region for 2018 and 2019

EDUCATIONAL STRUCTURE

Most employees have the seventh level of education, namely 58 percent, which followed by the VI/2 level (19 percent) and VIII/1 level (10 percent).

Level	Title of professional education	2018	Share in %	2019	Share in %
VIII/2	Doctorate	1	3	1	3
VIII/1	Master's degree	3	10	3	10
VII	University education	18	61	18	58
VI/2	Four-year tertiary professional education	6	20	6	19
VI/1	Two-year tertiary professional education	1	3	2	7
V	Secondary education	1	3	1	3
Total		30	100	31	100

Table 5: Educational structure in share as at 31 December 2018 and 31 December 2019

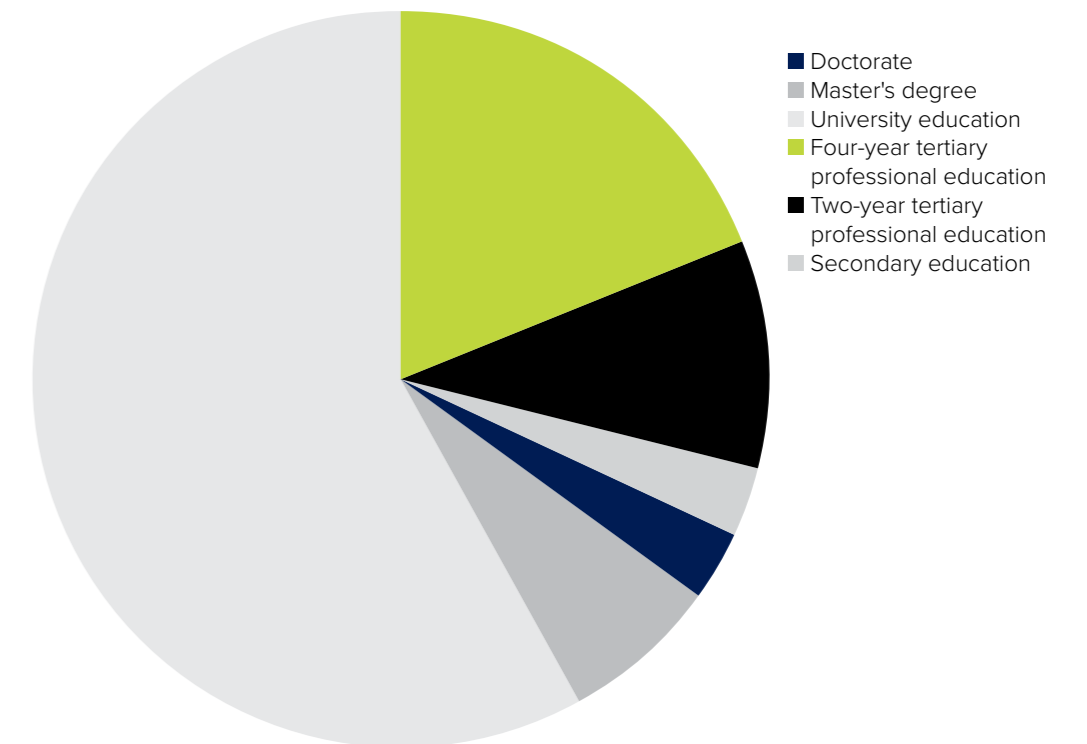


Figure 11: Educational structure of the employees as at 31 December 2019

When looking for and selecting personnel, we examine the knowledge, skills, qualification and experiences of the individual and on them base our decision whether to employ that person.

We ensure all employment candidates equal treatment, regardless of their gender, age, race or any other personal circumstance, and comply with all the statutory norms.

6.3 EMPLOYEE DEVELOPMENT¹³

EMPLOYEE EDUCATION

It is of key importance to Borzen to employ people who are professionally educated and qualified to perform the tasks. Employment is therefore an upgrade of careful staff planning and development. Every year, an annual educational plan is elaborated covering the educational needs of the employees and following the strategic objectives of the company. The educational plan focuses on individuals covering the necessary content and taking into account individual wishes that are in line with the goals of the company. Thus, throughout the year, all employees attended various seminars, courses, training sessions and conferences, organised internally and externally. The implementation of training programmes showed no differences in attendance with regard to gender and position within the

company, since the education and training has been harmonised with the needs and competencies of the post, the set goals, and the professional and personal development of an individual, which is also evident from the employees' hours of training.

In 2019, 94 percent of employees were involved in education and training processes. A total of 1,246 hours of training were carried out. The total number of hours also includes the internal hours of training, during which the employees internally present their newly acquired knowledge and experiences to their co-workers. On average, each employee received 43 hours of training. Compared to 2018, the number of hours of training per employee decreased slightly. This fact can be partly attributed to the slightly higher turnover of employees, as employees in departure and arrival were primarily focused on handing over or taking over work tasks. Compared to 2018, there were more employees on maternity and parental leave who did not participate in educational and training programmes in 2019.

	2018	2019
Number of participants in training programmes	29*	29*
Share of employees	97 %**	94 %**
Number of hours of training	1,473	1,246
Average number of hours of training per employee	51	43

* Two female employees on maternity leave.

** Percentage in relation to the number of all employees.

Table 6: Key data on employee education for 2018 and 2019

Employees can upgrade and improve their already acquired knowledge and education through ongoing training. Employees show great interest in further education or studies and obtaining a higher formal level of education. Borzen supports this kind of personal development of employees through study leave. In 2019, one employee was trained to obtain a higher level of professional education while working. Our employees also provided the transfer of knowledge as lecturers and participants at professional meetings and conferences. Professional literature and memberships within professional associations, in which the informal transfer of knowledge occurs, also represent an important aspect of the development and education of the employees.

EMPLOYEE MOTIVATION

The development of the competences of the employees, targeted guidance, directed two-way communication and other tools have generated an adequate level of motivation and commitment among employees. Special attention is placed on the immaterial remuneration, such as integration into various projects, working groups and similar that additionally motivates the staff.

6.4 OCCUPATIONAL HEALTH AND SAFETY¹⁴

Borzen provides all the employees with a safe, healthy and pleasant working environment. All new processes and projects include developments in the field of health and safety at work and fire safety. A risk assessment was prepared for each post and measures have been prescribed that ensure the adequate safety of the employees. Risks are periodically assessed and maintained at an acceptable level with suitable safety measures and at the same time the employees are provided with advanced and user-friendly technology and materials.

We organise regular periodical medical examinations in order to monitor the employees' health status and their ability to perform tasks. The company records negligible absenteeism. This is due to the company solving the employees' medical and other problems and carrying out preventive healthcare services for the employees.

SPORTS ACTIVITIES

As part of the health promotion at Borzen, we provide employees with various activities, knowing that the quality and healthy spending of free time has a positive impact on the employees. The company supports the operation of the Borzen Sports Club, which provides recreational sports activities and cultural engagement.

HEALTH PROMOTION

As part of the health promotion at Borzen, we aim to raise awareness among our employees on the importance of health and encourage them to take an integrated approach towards improving and maintaining their health. We inform our employees about disease-prevention activities, while enabling them to take an active role in ensuring a healthy working environment for themselves. We implement

and promote various activities, both at the workplace and outside the office.

FAMILY-FRIENDLY ENTERPRISE

We are aware that coordinating professional and family life represents a challenge of ever-increasing proportions. Thus, from 2010 onwards, we have been striving to positively tackle the challenges of balancing professional and private life, which we have achieved within the scope of the Family-Friendly Enterprise Certificate.

SOCIAL SECURITY FOR YOUNG FAMILIES

We believe that children are our greatest treasure and are truly happy whenever our employees have a baby. We want all parents to experience parenthood fully, which is why we encourage them to go on all kinds of parental leave. At the same time, we want these young families to have the safest possible future. After returning from parental leave, our employees continue their career path in our company; we try to make their transition and reintegration into the working environment as easy as possible.

Within the scope of the Family-Friendly Enterprise certificate, we have adopted the measure of reintegrating an employee after a prolonged absence, which also includes parental leave. This measure enables employees to adapt their schedules and gradually take on work tasks, thus facilitating their return to the workplace after a prolonged absence. This makes their return less stressful, and the employees and their families more satisfied.

Both parents can go on parental leave. In 2019, two female employees went on maternity and parental leave, while in 2018, one employee went on maternity and parental leave. In 2019, paternity leave was used by three male employees, while in 2018, on one went on paternity leave.

	2018	2019
Maternity and parental leave (women)	1	2
Paternity leave (men)	0	3

Table 7: Take-up of maternity, paternity and parental leave in 2018 and 2019

¹³ GRI 404: 404-1

¹⁴ GRI 403: 403-1

One employee who took parental leave in 2018 returned to work in August 2019, while another employee has not returned to work by the end of 2019.

Within the context of working requirements and conditions, we coordinate the needs and desires of employees, and maintain a balance between their private and personal lives. In accordance with the company's internal rules and the Parental Protection and Family Benefits Act, we enable employees to work part-time, have flexible working hours and take up unpaid leave.

SOCIAL SECURITY IN MATURE YEARS

At Borzen, we are aware that social security ranks high on the employees' list of priorities, which is why

we are trying to establish a positive practice. Each age bracket is characterised by specific challenges; social security upon retirement is undoubtedly one of them. That is why ever since its establishment in 2001 our company has been enabling all permanent employees to enter a voluntary Supplementary Pension Scheme with a participation option or a non-participation option. This way, we want to increase the social security of employees during their retirement.

The employees have been embracing and taking up this option through the years, as demonstrated by the figures in the table below. The total premium amount takes up 5.84 percent of an employee's monthly salary. When determining the percentage of the company's participation, we take into account the employee's age and the employee's participation in the premium payment.

	2018	2019
Number of employees	30	31
Number of participants in SPS*	29.3	30.41
Number of participants in SPS* (in %)	97.66 %	98.10 %
Premium (in EUR)	42,876.19	46,619.29

*SPS – supplementary pension scheme.

Table 8: Data on the supplementary pension scheme in 2018 and 2019

In 2019, 98.10 percent of Borzen's employees were involved in the supplementary pension scheme, compared to 97.66 percent in 2018. The premium charged to Borzen equalled EUR 46,619.29 in 2019, compared to EUR 42,876.19 in 2018.

We also provide all employees with accident insurance which covers accidents both at work and in their free time.

6.5 COMMUNICATION WITH EMPLOYEES AND ORGANISATIONAL CLIMATE

COMMUNICATION WITH EMPLOYEES

The regular annual interviews with the employees are a tool to determine the performance of individuals in the past and to recognise their competences in the future. The content of these annual interviews is an in-depth conversation focusing on current tasks, the work performed and the results, objectives and tasks for the future period, as well as on the individual's personal growth and professional path.

The employees are promptly informed of the activities within Borzen via the Intranet, e-mail, and various formal and informal meetings. They can take part in the formation of the company's objectives and can freely express their opinion; at the level of the company, an open-door policy has been applied.

We believe that good communication is necessary between the levels in the company as well as quality communication within the team. This is also the focus of our internal communication, which is also reflected in the regular team-building programmes.

ORGANISATIONAL CLIMATE

We are aware of the importance of a positive organisational climate within the company. Hence, we carry out a survey on organisational climate and employee commitment periodically, i.e. every two years. The last analysis was performed in 2017 and the data show that organisational climate and commitment within the company reach the level of 4.31 (with 6 being the highest value). The total organisational climate rating amounts to 72 percent (out of 100 percent); the highest ranked criterion (80 percent) is professional qualification and learning, followed by the criterion of innovation and initiative with 77 percent. Based on the obtained results, an action plan was prepared for activities in this field and was already being regularly implemented in 2019.

7. RESPONSIBILITY TOWARDS THE NATURAL ENVIRONMENT

Environmental protection is one of the basic rights, duties and responsibilities of all our employees and is considered an integral part of our corporate policy. We follow the trend of efficient use in the field of energy, water and materials. Borzen seeks to follow the principles of sustainable development also in the segment of environmental protection, which is directly integrated into the company's operation. Namely, Borzen manages the national Support Scheme for environmentally friendly ways of electricity generation (RES and CHP), thereby promoting the use of natural resources, which has a positive impact on the environment. At the same time, Borzen also promotes the efficient use of energy and sees to the provision of information and the raising of awareness on sustainable energy.

Today, sustainability is a part of our everyday life but the topics of sustainable action and environmental protection will be even stronger tomorrow. With the new Energy Act, Borzen was entrusted with tasks related to information provision, awareness raising, training and publication of information on the efficient use of energy and renewable energy sources. In this respect, we are extremely proud of our brand 'TRAJNOSTNA ENERGIJA' (Sustainable Energy), which has been working towards expanding and promoting knowledge in the field of sustainable energy since 2014.

At Borzen, we are actively engaged in raising awareness on environmental protection among our employees, i.e. by separating waste, using recycled materials, and saving water and electricity. Since we want to take a step further, we have established gui-

delines for improving our carbon footprint in the future, based on the measured carbon footprint.

7.1 ENVIRONMENTAL INDICATORS¹⁵

The results of the carbon footprint measured a few years ago rank Borzen average among comparable Slovenian clerical companies and slightly above average among comparable international clerical companies. We want to start a lively debate on this issue, first by raising the awareness of all the employees, and then of our other stakeholders.

Due to the nature of Borzen's activities, we have decided to regularly monitor and measure the carbon footprint in the segment in which the company has the greatest chance of reducing it. We have decided to monitor the carbon footprint of business trips taken by car. We have adopted certain measures that aim to reduce emissions in this category, and which are more thoroughly described below.

The number of kilometres driven was reduced in 2019 to 18,916 kilometres – compared to 2018, in which 29,728.00 kilometres were driven on business trips. Consequently, the volume of emissions was also reduced, as shown in the table below. However, due to our active international cooperation, more aeroplane trips were taken, but they are not considered when calculating the total business trips taken.

	2018	2019
Total business trips (in km)	19,257.00	18,916.00
GHG emissions (in kg of CO ₂ e)	4,495.73	4,416.12

Table 9: Carbon footprint and the number of kilometres driven by car for the needs of business trips in 2018 and 2019

¹⁵ GRI 302: 302-1, 302-3, 302-4, GRI 305: 305-1, 305-5

We are promoting a positivist approach to the project of reducing the carbon footprint. We want to involve as many interested employees as possible in designing and implementing the strategy, thus increasing the project's efficiency.

We are aware that raising the awareness of and informing the employees through various communication channels is essential and that it determines the

ultimate success and the attainment of the set goals. At the action level we adopted certain measures, however, we believe that the most sensible thing for our company to do is to monitor the reduction in emissions from business trips, as other indicators are influenced more indirectly and not as easily (e.g. travel to work), or in some cases their changes are harder to monitor (e.g. electricity and thermal energy, water).

MEASURE	Reduction of carbon footprint	Cost reduction	Employee awareness
Reducing the need for business trips by organising meetings at Borzen's head office	++	++	+
Promoting teleconferences	++	+++	++
Merging and optimising trips	+	+	++
Compulsory use of a company car for business trips	++	+++	

* The potential was rated by + (small potential), ++ (medium potential) and +++ (great potential).
Table 10: Measures regarding the reduction of carbon footprint with business trips



THE FUTURE IS IN OUR HANDS.

Milan Šušteršič Elementary School, Ljubljana, "9. razred" team.

¹⁸ GRI 302: 302-1, 302-3, 302-4, GRI 305: 305-1, 305-5

8. RESPONSIBILITY TOWARDS THE WIDER COMMUNITY¹⁶

¹⁶ GRI 413: 413-1

8.1 RELATIONS WITH STAKEHOLDERS

At Borzen, we are aware that our stakeholders are the core of our operations. Without them, the electricity market definitely would not be the same. We recognise and acknowledge various groups of stakeholders and the public and adapt our communication to each of these groups separately. Satisfied stakeholders give a positive signal implying that our services are performed in a quality manner and that we are fulfilling our public service mission.

The general satisfaction of our stakeholders is regularly checked by satisfaction analyses. The results from 2019 show that the implementation of the activities of the Support Centre is at a very high level, namely 95 percent of respondents were satisfied or completely satisfied, while the average satisfaction rating equalled 5.41 (with 6 being the highest value). The results are remarkably positive and encouraging. In the future, we will continue to conduct satisfaction analyses.

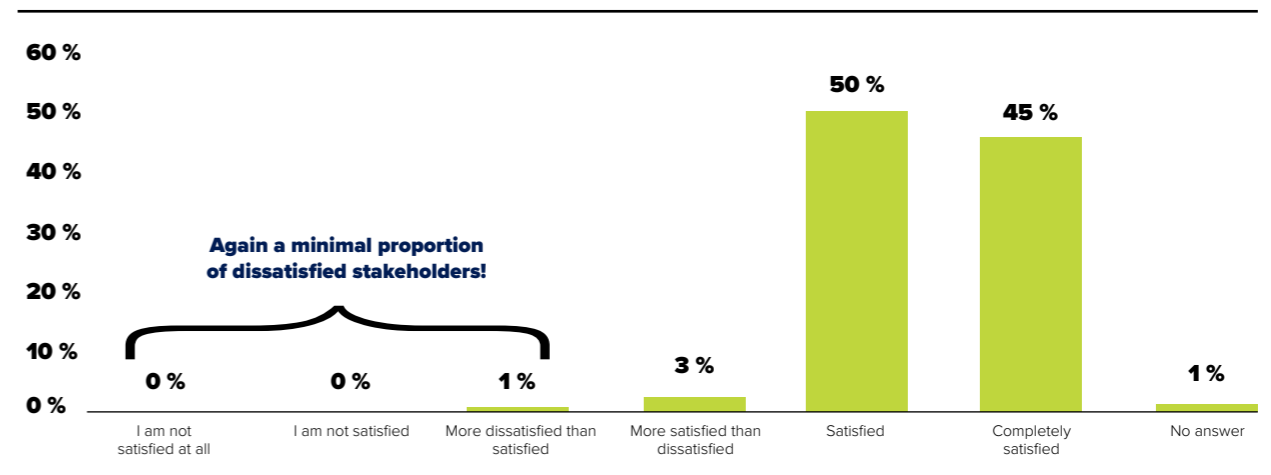


Figure 12: Overall satisfaction of our stakeholders (2019)

The area of communication with stakeholders in 2019 was mainly marked by communication with four key groups:

- Existing and potential members of the Balance Scheme;
- Existing and potential members of the Support Scheme;
- Existing and potential users of the RRM-REMIT service;
- A wider circle of the public, which we target through our 'TRAJNOSTNA ENERGIJA' ("Sustainable Energy") brand.

The activities that should be highlighted in the field of communication in 2019 are the preparation and publication of additional data on the functioning of the electricity market on our corporate website (extended publication of the imbalance settlement data in accordance with the new Rules on the Operation of the Electricity Market). In addition, our attention was also focused on the regular communication with the above-mentioned public and active cooperation with the Slovenian media and other stakeholders. Regarding the latter, it is especially important to highlight the communication in the segment of public debates on

rules that were in the phase of updating (i.e. Rules concerning amendment and supplement of the rules for the operation of the electricity balancing market), which means that all interested parties could present their observations and suggestions. Borzen strives to achieve an advanced energy market, which will, as such, represent the biggest added value for all existing and potential members of the Balance Scheme.

The activities that should be highlighted in the field of communication in 2019 are the preparation and publication of additional data on the functioning of the electricity market on our corporate website (extended publication of the imbalance settlement data in accordance with the new Rules on the Operation of the Electricity Market).

In the field of information provision and raising awareness on renewable energy sources and efficient energy use under our brand 'TRAJNOSTNA ENERGIJA' ("Sustainable Energy"), we strengthened and established communication with our key stakeholders through various communication channels and tools, such as a local conference, TV broadcasts, a scientific monograph, the web portal www.trajnostnaenergija.si

and other projects mentioned in the previous chapters. Furthermore, we intend to upgrade and strengthen the communication in the future. All activities in the field of information provision, raising awareness and training on RES and EE were adequately covered by communication support, which has resulted in great media coverage and positive feedback from the public.

Sharing knowledge and experience and simultaneously positioning Borzen as the hub of the energy market is the priority orientation of our company, which is why the representatives of Borzen regularly attend various professional conferences as lecturers in Slovenia and abroad.

8.2 SOCIAL RESPONSIBILITY

Socially responsible conduct is contained in the core activity that we perform as the Market Operator, since we ensure reliable and stable functioning of the Slovenian electric power market, and promote and raise awareness on the use of green energy sources and energy efficiency as the Support Scheme Operator for RES and CHP. Our social responsibility is directed towards our employees and other stakeholders, which is also reported in our sustainability reports in accordance with the GRI guidelines.

Borzen obtained the obtained Corporate Social Responsibility Certificate as one of the first companies in Slovenia and the first company in the electricity industry. The certificate represents a socially responsible principle of corporate governance. Borzen obtained the certificate in the field of organisational management (level B) and in the field of community involvement and development (level A). On the overall level, Borzen achieves level B. In the middle of 2019, an external auditor performed an audit of our work in the field of certification, which we successfully passed.



Dedicated and targeted sponsorships and donations are one way to connect with the community and thus contribute to the positive functioning of the society as a whole. We support participation in different sports activities, work with young people, culture, education and humanitarianism.

We aim to share good practices and support the knowledge transfer to the wider social environment.

8.3 ENSURING TRANSPARENCY OF THE ELECTRICITY MARKET

Borzen aims to provide a transparent business operation, since we believe it is our commitment to all our users as well as to the citizens of the Republic of Slovenia. We believe that transparency is an important value and we strive to attain it with the publication of various types of data and information about our business operations on our website and via other channels. Among other things, we have also published a list of beneficiaries, a list of the Balance Scheme members, reports on market operations and Support Scheme operation, high- and low-value public procurement tenders and various other public information. We also regularly submit relevant information to the interested members of the public and strive towards an open cooperation with the media.

At Borzen, we respect and appreciate the principle of transparency, which is also one of the most important guidelines in the preparation of the company's annual report. In the spirit of sustainable development and sustainable communication, we have been preparing a sustainable report in accordance with the Global Reporting Initiative Standards (GRI Standards) since 2012. Our sustainable reports also cover diversity, which is implemented in the representation in governing bodies, without implementing the diversity policy in the company itself. In the spirit of sustainable development and communication, we prepared the company's Annual Report and conducted a call for the allocation of sponsorship and donor funds for 2019.

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 (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 (ACER).

The exchange of information is essential for the proper execution of the Market Operator's activities and the operation of the entire electric power system. The electronic data exchange constitutes an important step towards a more reliable and faster submission of data to the Market Operator. Therefore, Borzen

strives to further develop and strengthen this area, also by participating in associations, such as the Energy Market Data Exchange Section (IPET).

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

- Transmission of data under the European regulation 543/2013 ("Transparency");
- Electronic access to the Balance Scheme records;
- Publication of additional data on the functioning of the market on the corporate website.

8.4 DEVELOPMENT OF ENERGY-EFFICIENT SERVICES

Borzen's core activities – the implementation of the public utility service of the electricity market operator and the implementation of the Support Scheme for the generation of electricity from renewable energy sources (RES) and highly efficient cogeneration of heat and power (CHP) – are intertwined with sustainable development, especially with the development of energy-efficient services, which complies with the guidelines of the European Union.

RES + CHP SUPPORT SCHEME

By implementing the Support Scheme, our Centre for Support promotes the growth of RES + CHP power plants, which consequently contributes to a greater utilisation of natural resources and lower CO2 emissions. The steady growth in the number of units included in the Support Scheme clearly indicates the trend of a greater utilisation of renewable energy sources. Namely, in accordance with the Energy Act, the Centre for Support is an operational provider of the Support Scheme for environmentally friendly ways of generating electricity. The support schemes are an instrument of State aid (subsidies) approved by the European Union, which enables, with higher purchase prices, the realisation of investments in renewable energy sources (RES) and highly efficient cogeneration of heat and electricity (CHP), which are necessary for achieving the national objectives concerning the share of use of renewable energy sources in the final energy consumption.

At the end of 2019, the Support Scheme consisted of 3,858 power plants with a total rated power of 417 MW, which represented approximately 12 percent of the installed capacities in the Republic of Slovenia.

GUARANTEES OF ORIGIN REGISTRY

The Guarantees of Origin are electronic certificates that certify that a certain amount of energy was produced in a certain amount of time in a certain power plant in a way that is determined by the guarantee of origin of electricity.

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

PROVISION OF INFORMATION, PUBLIC AWARENESS AND TRAINING ON THE EFFICIENT USE OF ENERGY AND RENEWABLE ENERGY SOURCES – SUSTAINABLE ENERGY

In accordance with Article 351 of the Energy Act (EA-1), Borzen performs a variety of activities in the field of information provision, raising public awareness and training on the efficient use of energy and renewable energy sources. The activities are carried out under our brand **"TRAJNOSTNA ENERGIJA" (SUSTAINABLE ENERGY)**, through which we reach a wide range of different audiences. This way, sustainable energy conceptually combines and suitably communicates renewable energy sources and efficient use of energy.



In 2019, we carried out a series of activities in the field of information provision, raising awareness and training on the efficient use of energy and renewable energy sources, which we efficiently combined and communicated to the public through the web portal TRAJNOSTNA ENERGIJA (www.trajnostnaenergija.si). The portal represents a meeting point for accessing the information on the efficient use of energy and renewable energy sources, which is collected in a simple and transparent manner. The quality and professional information, on the one hand, contributes to a more efficient use of energy and, on the other hand, offers various information on renewable energy sources and their use.

KEY ACTIVITIES IN THE FIELD OF INFORMING, RAISING AWARENESS AND TRAINING ON RES AND EE IN 2019:

<p>Conference ‘Sustainable Energy Locally’</p>	<p>In mid-September, we held the fifth professional meeting of local energy managers “SUSTAINABLE ENERGY LOCALLY 2019” entitled “At the intersection of green opportunities”.</p> <p>At the conference, the participants were introduced to the new examples of local energy communities and how to take advantage of new green energy opportunities at the local level.</p> <p>Ms. Tonka Matič from the European Commission highlighted the new 2019 investment recommendation to Slovenian by the EU, which recommends that Slovenia focuses its economic policy regarding the investments on research and innovation, low-carbon and energy transition, sustainable transport (especially railway) and environmental infrastructure, taking into account its regional differences.</p> <p>The conference concluded with the World Café entitled “At the intersection of green opportunities and necessary knowledge”, at which the participants identified challenges and formed common conclusions in response to these challenges. The latter were forwarded to relevant institutions across the country and were published on the portal www.trajnostnaenergija.si.</p>
<p>Web portal www.trajnostnaenergija.si</p>	<p>The web portal www.trajnostnaenergija.si was regularly updated with relevant content and up-to-date news throughout 2019. We also prepared new contents which would contribute to spreading the information about RES and EE, as well as minor technical optimisation of the portal and part of the preparation for the upgrade which will occur in the coming year.</p> <p>With the aim to increase our website traffic, the recognition of our brand and its mission and projects, we set up the Trajnostna energija Facebook page, which joined our Trajnostna energija Youtube channel. For the purpose of ad campaigns, we also used Facebook and Youtube advertising.</p>
<p>Prize competition for preschool children, primary school children and high school students</p>	<p>The prize competition entitled “SUSTAINABLE ENERGY 019”, in which the total prize fund equalled EUR 10,000, took place in autumn 2019 and was intended for preschool children, primary school children (first, second and third triad) and high school students.</p> <p>The children participated in the competition by making graffiti about how they can contribute to create a better world. Graffiti could be made on cardboard, paper, drawn on the wall, etc. All graffiti had to be hung or placed in a visible place in order to spread their message as widely as possible.</p> <p>More than 900 children participated in the competition and their graffiti reached at least 30.000 people (classmates, kindergarten and school employees, parents, etc.).</p>

<p>Atlas of sustainable energy</p>	<p>The web application Atlas of Sustainable Energy, which enables the display of renewable energy sources (electricity production sources and potentials) and energy efficiency measures (implemented measures of households and legal entities), was updated in 2019 with data related to RES and EE.</p>
<p>Best master’s thesis on RES and EE 2019</p>	<p>In 2019, we organised a competition for the best master’s thesis on the topic of sustainable energy for the first time. In this way, we wanted to encourage young people to become actively involved in solving current challenges in the field of sustainable energy.</p> <p>The winner of the completion was Miss Urša Mrhar with her master’s thesis <i>Analysis and a proposed sanation of an existing building considering earthquake resistance and energy efficiency</i>. A special award was awarded to Miss Urška Stopar for her master’s thesis entitled <i>Renewable energy sources, peer-to-peer electricity trading and new technologies in energy sector (selected legal aspects)</i>. In December, we held an award ceremony for both winners where we handed out prizes in the total value of EUR 3,500.</p>
<p>Environmental cartoons “Lepši svet” (A Better World)</p>	<p>The new episodes of our environmental cartoon series Lepši svet 2 (“A Better World 2”) were broadcast on the Slovenian national television RTV Slovenia. The cartoons were created in cooperation with RTV Slovenia and are targeted at younger children, ages 4-10. The main characters. Tina and Rok, together with their little dog Edi and the all-knowing tablet Nik, go on exciting and interesting adventures where they learn about different topics, such as:</p> <ul style="list-style-type: none"> - why we use batteries, - who invented electricity, - what a day without electricity would look like, - how to carefully handle electricity, - how we use solar energy. <p>The cartoons are also published on the website www.trajnostnaenergija.si and on the Trajnostna energija Youtube channel.</p> <p>In addition, all episodes of the cartoons were dubbed in English in 2019. The cartoons are also suitable for learning English, since they come with keyword translations. The English cartoons are published on the Trajnostna energija Youtube channel and the Slovenian Academic and Research Network of Slovenia (ARNES), a public institute that provides network services to research, educational and cultural organizations.</p> <p>The second season of the cartoons was recorded on DVDs and was equipped with an educational booklet containing learning materials which accompany the topics presented in the cartoons and are primarily intended for educators and teachers since the materials describe keywords and ideas for creation and discussion. In this way, employees in educational institutions can use our DVDs as an interactive learning tool. DVDs were sent free of charge to all Slovenian kindergartens, primary schools and libraries.</p> <p>We are proud that the cartoons LEPSI SVET (“A Better World”) have already received over 1 million views since their launch.</p>

<p>Demonstration renovations</p>	<p>The most important aspect of the activity we started in 2016 is to present an empirical comparison of data on energy consumption in buildings before and after energy-efficient renovation and publish this data on the website www.trajnostnaenergija.si, through which we aim to raise confidence in the calculations of theoretical savings and prove that the measure of energy-efficient renovations is economically justified. In 2019, Borzen obtained the last actual measurements of all three analysed facilities for the heating season 2018/2019 and carried out a comparison analysis against the previous years. The results are published on the website www.trajnostnaenergija.si.</p> <p>The socially responsible demonstration project of the self-sufficient 'Viška hiška', the building in which the Slovenian Philanthropy headquarters are located, which was carried out in 2018 (energy renovation, solar power plant, energy storage), was also monitored in 2019 and has yielded good results.</p> <p>On the one hand, the consumption of electricity needed for heating was reduced by 35 percent and the production of the solar power plant reached 8.3 MWh. The energy storage system operated successfully - the acquired energy totalled 12,649 KWh, the transmitted energy equalled 4,709 KWh and the charged energy amounted to 7,940 KWh. In the spring of 2019, the project was presented to the public.</p>
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<p>Sustainable Energy Innovations competition 2019</p>	<p>For the first time, we organised the competition 'Sustainable Energy Innovations 019' on the topic of electricity production from RES and high-efficiency cogeneration, currently available on the market. With the competition, we wanted to encourage the generation of ideas in the field of RES and EE.</p> <p>The prize fund totalled EUR 16,500 and 4 prizes were awarded:</p> <ul style="list-style-type: none"> - First place: RIKEMA d.o.o. for their project 'Electricity from the home forest - cogeneration of electricity from wood biomass'; - Second place: Institute of Chemistry with their project 'Innovative Nano technological process of preparation of catalysts for more efficient and cheaper hydrogen fuel cells'; - Third place: Ms. Romanca Pečnik with her project 'Walnut shell in a wood briquette - organic zero-waste briquette'; - Fourth place: Mr. Timotej Černe with his project 'Centrifugal force'. <p>All participants participated in a workshop entitled "From idea to successful story", the key purpose of which was to empower individuals with knowledge that will help them in implementing their ideas in the future.</p>
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<p>Research on energy efficiency in Slovenia</p>	<p>We participated in the implementation of the Slovenian Energy Efficiency Survey, whose goal is to obtain useful information in the field of energy use and to promote efficient energy use and renewable energy sources in Slovenian households.</p> <p>The aim of this comprehensive research was to discover and monitor the following aspects:</p> <ul style="list-style-type: none"> - situation in households (list of energy and resource consumers), - behavioural habits, consumer attitudes towards energy use and willingness to act more efficiently, - perception of relevant market participants, - willingness to invest, - monitoring trends and gradually establishing standards for energy efficiency in households. <p>A wider summary was prepared and is available on the website www.trajnostnaenergija.si. In November 2019, a press conference at which key findings were presented was held for interested media.</p>
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<p>Energy playground in Maribor</p>	<p>At the beginning of December, we set up an energy playground in the centre of Maribor, which introduces children and other citizens to the concept of renewable energy and encourages more sustainable use of energy. The socially responsible project was initiated by Borzen, with the participation of two project partners: Dravske elektrarne Maribor (the largest Slovenian producer of electricity from renewable sources) and the Municipality of Maribor. The project partners share their awareness of the importance of a responsible attitude towards the environment and they all want to inform, raise awareness and encourage the efficient use of energy and renewable energy sources in the most environmentally acceptable way.</p>
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<p>Board game "Lepši svet" (A Better World)</p>	<p>We designed a board game on the topic of RES and EE, intended especially for children. Throughout the game, the players move towards the goal – a better world. On their way, they come across fields with questions that they must successfully solve in order to reach their goal. In addition to answering the question, the players also learn about the proper and improper energy management by picking up green (reward) and red (punishment) cards. In this way, the players learn new and important information on sustainable energy. The board game has been sent to all Slovenian game libraries.</p>
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<p>Short video tips on EE</p>	<p>For all those who like to browse the web and watch fun videos (especially the young population), we created ten funny videos on the topic of RES in collaboration with the famous Slovenian TV host, Jože Robežnik aka JocoHud. All ten videos are published on the Trajnostna energija Youtube channel and JocoHud Youtube channel.</p>
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<p>Sustainable Development Days 2019</p>	<p>In cooperation with CDI UNIVERZUM, an adult education centre in Ljubljana, we prepared a series of events related to sustainable energy in May 2019. The events were aimed at citizens who are involved in the adult education programmes, local communities and pre-school children. We reported the events and related them to the European Sustainable Energy Week (EUSEW) 2019. EUSEW is a pan-European initiative whose goal is to promote and identify activities, projects and events that promote sustainable development.</p>
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8.5 CUSTOMER SATISFACTION¹⁷

Customer satisfaction is monitored through periodic satisfaction surveys by separately conducting a satisfaction survey on the operation of the Market Operator (carried out in 2018) and a satisfaction survey on the operation of the Centre for Support (carried out in 2017), every two years. The results from 2018 are encouraging, as 87 percent of the respondents are satisfied or very satisfied. In the future, we will continue to conduct satisfaction analyses.

8.6 COOPERATION AND DEVELOPMENT¹⁸

Borzen actively shapes the trends of the Slovenian and the European energy sector. We are aware of the importance of cooperation between different players on the energy podium. Our experts occupy important positions in various associations and working groups, which reflects the exceptional trust we enjoy in professional circles. Some forms of cooperation that mark the operations of our company are mentioned below.

Among the more important ones, let us mention the cooperation in the association of the European energy exchanges Europex, in which our Director of Operations, Borut Rajer, MSc, occupies a responsible position on the management board. The APEX Association and cooperation within the section established by the Slovenian Chamber of Commerce, through which Borzen is a member of Eurelectric (Union of the Electricity Industry), are among other important organisations through which we exchange knowledge.

Borzen has been also actively involved in the Energy Market Data Exchange Section (IPET), which operates within the Energy Industry Chamber of Slovenia and promotes the development in the field of data exchange on the electricity market; it is presided by a Borzen employee.

Our employees are also active in the association CIGRE (Conseil Internationale des Grands Reseaux Electriques) – CIRED (Slovenian Committee of Electric Power), especially within the “Marketing and Regulation of Energy Systems” working group. Borzen is also a member of

the Section for Quality and Excellence in Electricity as well as a founding member of the Slovenian Association for Energy Economics (SAEE), which is the 30th national affiliate of the International Association for Energy Economics (IAEE) and operates as a section within the Energy Industry Chamber of Slovenia. Borzen is a corporate member of the Association of Slovenian Supervisors, which is a professional, non-profit and non-governmental organisation that is connecting the members of supervisory boards, management boards and other corporate management stakeholders.

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

Borzen is a member of the Network of Socially Responsible Companies, which promotes and raises awareness on the importance of social responsibility and represents a juncture of Slovenian companies and organisations that exchange knowledge, information, ideas and good practice in the field of social responsibility.

Dedicated and targeted sponsorships and donations are one way to connect with the community and thus contribute to the positive functioning of the society as a whole. In 2019, we also held a call for applications for granting sponsorship and donation funds. With donations and sponsorships, we support participation in different sports activities, work with young people, culture, education and humanitarianism.

INVESTMENTS

Our company’s investments are strategically oriented mainly towards technological development, which is a prerequisite for the further development and continuous implementation of the Electricity Market Operator’s activities through a high-availability system and technologically advanced services. Such services generate added value in the operations of all our stakeholders.

In 2019, in accordance with the company’s Business Plan, we carried out the majority of planned investments, which were mainly related to information technology. The investments in maintaining a high level of information security and high availability were primarily aimed at updating the hardware and software of the virtual environment and network devices in the server segment.

The investments in the business segment were mainly focused on the development of a solution for the implementation of imbalance settlement process, as well as the improvement and protection of user environments. Part of the investments was intended to upgrade the single information system platform that forms the backbone of the company’s business processes.

¹⁷ GRI 102: 102-43, 102-44

¹⁸ GRI 102: 102-12, 102-13

GRI GS CONTENT INDEX¹⁹

GRI GS (Global Standards) index – ‘core level’

GENERAL STANDARD DISCLOSURES				
GRI Standard	Disclosure	Reports/partially reports/does not report	Chapter or page in the report	Reasons for omitting the disclosure
GRI 101: Foundation				
GRI 102: General disclosures				
Organisational profile				
102-1	Name of the organisation	reports	45	
102-2	Activities, brands, products and services	reports	4	
102-3	Location of headquarters	reports	45	
102-4	Location of operations	does not report	-	Borzen carries out its core activity exclusively in Slovenia.
102-5	Ownership and legal form	reports	9, 45	
102-6	Markets served (geographic breakdown, sectors served and types of customers)	does not report	-	This indicator is not relevant.
102-7	Scale of the organisation (number of employees, number of activities, turnover, liabilities/capital, number of products or services)	reports	18, 24	
102-8	Employees by employment type, contract type, region and gender	reports	24, 25, 26, 27	
102-9	Supply chain	does not report	-	Borzen is a public utility service and abides by the Public Procurement Act. This indicator is not relevant.
102-10	Significant changes to the organisation and its supply chain	does not report	-	No major changes occurred during the reporting period.
102-11	Precautionary principle or approach	reports	10, 11	
102-12	External initiatives	reports	39, 40	
102-13	Membership of associations	reports	39, 40	
Strategy				
102-14	Statement from senior decision-maker on the importance of sustainable development for the organisation and its strategy	reports	4	
Ethics and integrity				
102-16	Values, principles, standards and norms of behaviour	reports	23	
102-17	Mechanisms for advice and concerns about ethics	reports	23	

¹⁹ GRI 102: 102-54, 102-55

GENERAL STANDARD DISCLOSURES				
GRI Standard	Disclosure	Reports/partially reports/does not report	Chapter or page in the report	Reasons for omitting the disclosure
Governance				
102-18	Governance structure	reports	9	
Stakeholder engagement				
102-40	List of stakeholder groups	reports	13	
102-41	Collective bargaining agreements	does not report	-	Borzen does not have a collective bargaining agreement and therefore does not report on this indicator.
102-42	Identifying and selecting stakeholders	reports	13	
102-43	Approach to stakeholder engagement	reports	13, 14, 15, 39	
102-44	Key topics and concerns raised in the process of collaborating with stakeholders and how the organisation reacted to them, including its reporting	partially reports	14, 16, 39	Borzen partially reports on the contents and scruples presented by the stakeholders, as can be discerned from individual chapters. The company does not fully report on this indicator.
Information about the report				
102-45	Entities included in the consolidated financial statements	reports	14	
102-46	Defining report content and topic boundaries	reports	12, 13, 16	
102-47	List of material topics	reports	14, 16	
102-48	Restatements of information from previous reports and the reasons for such restatements	does not report	-	This indicator is not relevant.
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	does not report	-	No changes occurred during the reporting period.
102-50	Reporting periods	reports	12, 45	
102-51	Date of most recent report	reports	45	
102-52	Reporting cycle	reports	45	
102-53	Contact point for questions regarding the report	reports	45	
102-54	Claims of reporting in accordance with the GRI Standards	reports	12, 41	

GENERAL STANDARD DISCLOSURES				
GRI Standard	Disclosure	Reports/partially reports/ does not report	Chapter or page in the report	Reasons for omitting the disclosure
102-55	GRI content index	reports	41	
102-56	External assurance	does not report	-	This indicator is not relevant for the company. Borzen does not seek external confirmation of the Sustainability Report.
GRI 200: Economic disclosures				
GRI 201: Economic performance				
103-1, 103-2, 103-3	Management approach	reports		
201-1	Direct economic value generated and distributed	reports	18	
201-3	Defined benefit plan obligations and other retirement plans	reports	24	
GRI 300: Environmental disclosures				
GRI 302: Energy				
103-1, 103-2, 103-3	Management approach	partially reports		
302-1	Energy consumption within the organisation	partially reports	32	Borzen reports only on the consumption of fuel. Other indicators are not relevant for the company.
302-3	Energy intensity	partially reports	32	Borzen reports only on the consumption of fuel. Other indicators are not relevant for the company.
302-4	Reduction of energy consumption	partially reports	32	The report gives a general presentation of activities for the reduction of energy consumption.
GRI 305: Emissions				
103-1, 103-2, 103-3	Explanation of the material topic and its boundaries	partially reports		
305-1	Direct GHG emissions	partially reports	32	
305-5	Reduction of GHG emissions	partially reports	32	

GENERAL STANDARD DISCLOSURES				
GRI Standard	Disclosure	Reports/partially reports/ does not report	Chapter or page in the report	Reasons for omitting the disclosure
GRI 400: Social disclosures				
GRI 401: Employment				
103-1, 103-2, 103-3	Management approach	reports		
401-1	New employee hires and employee turnover	reports	24	
401-3	Parental leave	reports	24	
GRI 403: Occupational health and safety				
103-1, 103-2, 103-3	Management approach	reports		
403-1	Occupational health and safety management system	reports	28	
GRI 404: Training and education				
103-1, 103-2, 103-3	Explanation of the material topic and its boundaries	reports		
404-1	Average hours of training per year per employee	reports	24, 27	
GRI 405: Diversity and equal opportunity				
103-1, 103-2, 103-3	Management approach	reports		
405-1	Diversity in governance bodies and employees	reports	24	
GRI 406: Non-discrimination				
103-1, 103-2, 103-3	Management approach	reports		
406-1	Incidents of discrimination and corrective actions taken	reports	23	
GRI 413: Local communities				
103-1, 103-2, 103-3	Management approach	reports		
413-1	Operations with local community engagement, impact assessments, and development programmes	reports	34	Borzen does not report on its impact on the local community in the narrow sense, but on the community as the society or all of Slovenia.

COMPANY INFORMATION²⁰

Company's full name	Borzen, operater trga z elektriko, d. o. o.
Shortened company name	Borzen, d.o.o.
Business address	Dunajska cesta 156, 1000 Ljubljana, Slovenia
Phone	+386 1 620 7 600
Fax	+386 1 620 7 601
E-mail	info@borzen.si
Website	www.borzen.si
Company's core activity	66.110 Administration of financial markets
Registration number	1613383000
Tax identification number	27799468
Number of entry in court register	1/34438/00
Date of entry in court register	28 March 2001
Place of entry in court register	Ljubljana District Court
Share capital	1.963.279 EUR
General manager	Karol Peter Peršolja, PhD
Chairman of the supervisory board	Mojca Kert
Area of operation	Slovenia

²⁰ GRI 102: 102-1, 102-3, 102-4, 102-5

BASIC INFORMATION ON THE SUSTAINABILITY REPORT FOR 2019²¹

Contact point for questions regarding the report or its contents	Eva Činkole Kristan , Public Relations Phone: +386 1 620 7 605 E-mail: eva.cinkole@borzen.si
Reporting period and the date of most recent report	Borzen reports for the calendar year 2019. The first Sustainability Report was prepared for 2012 in accordance with GRI standards and has been prepared annually ever since.
Reporting level	“Core level” (contains the key reporting elements and why the organisation is communicating the economic, social and environmental impacts. The organisation reports on at least one indicator relating to “materiality”).

The report encompasses Borzen's sustainability footprint; no special restrictions regarding the scope of the report have been detected. All the data contained and presented in the report are derived from and owned by Borzen, d.o.o., and have been processed and presented in a genuine and undistorted manner.

²¹ GRI 102: 102-50, 102-51, 102-52, 102-53

2019

**SUSTAINABILITY
REPORT**

Borzen

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