



**gen-i** SUSTAINABILITY REPORT **2019**

## TABLE OF CONTENTS

<b>1. MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD</b>	<b>4</b>
<b>2. SUMMARY</b>	<b>5</b>
<b>3. VISION AND MISSION OF GEN-I</b>	<b>6</b>
3.1. Promoter of the green transformation	7
3.2. Vision of GEN-I	8
3.3. Innovations	8
<b>4. IMPACT OF GEN-I'S SERVICES ON THE GENERAL PUBLIC</b>	<b>10</b>
4.1. Solar power plants	10
4.2. E-mobility	11
4.3. Sustainable energy cycle	11
4.4. Purchase of carbon-free electricity	13
4.5. Financing	13
4.6. System services	14
<b>5. INTERNAL OPERATIONS OF GEN-I</b>	<b>15</b>
5.1. Digitalization of operations	15
5.2. Carbon footprint of GEN-I	16
5.3. Sustainable mobility	17
<b>6. GEN-I AND EMPLOYEE DEVELOPMENT</b>	<b>19</b>
6.1. Values	19
6.2. Onboarding	20
6.3. GEN-I Academy	21
6.4. Mentoring program	21
6.5. Sports club	22
<b>7. MEASURES PLANNED IN 2020</b>	<b>23</b>

## 1. MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Stakeholders and Partners,

In light of climate change and announced measures to fight global warming, 2019 was characterized most by the word 'sustainability'. The energy sector, in which the GEN-I Group operates, plays a key role in that regard and we are resolute in our decision to play that role with the highest level of commitment and responsibility.

Sustainable operations are at the very core of the GEN-I organization. We took a sustainable approach to entering the electricity and natural gas markets, and supply those products to customers at transparent and sustainable prices, for them, for us and for the country. Since that time, we have invested revenues generated from the sale of energy products on the wholesale and retail markets in the development of new technologies, and digital and analytical solutions that follow the development of the energy market and prepare it for the challenges of the future. Technologies aimed at the balanced consumption of energy in the context of growing needs and advanced services that will facilitate the inclusion of an increasing level of renewable sources in the electricity distribution system are just two challenges that GEN-I is actively addressing.

Last year, we purchased electricity from renewable sources from more than 1,000 solar power plants and set up even more such power plants for the self-sufficient supply of energy. We presented to the public a pilot sustainable energy cycle project that facilitates savings and the use of stored solar energy. In the area of e-mobility, we developed a service that simplifies and thus promotes the use of electric vehicles.

We are also laying the path to a green transformation through the digitalization of our business processes. At the same time, our organization is growing, both in terms of the number of employees and the expertise of highly qualified individuals who exchange knowledge amongst themselves and create added value each and every day. In this our first sustainability report, we present the most important components that contribute both collectively and individually to specific social, environmental and economic effects. Through them, GEN-I is writing a new chapter in the wide-ranging story about the green transformation and carbon-neutral society.

Robert Golob, Ph.D.,  
President of GEN-I's Management Board

## 2. SUMMARY

Climate change is a challenge that we are currently facing across the globe and in Slovenia. One of the key segments of the economy responsible for generating a major portion of the global carbon footprint is the energy sector. In order to successfully and sustainably reduce CO<sub>2</sub> emissions, we need to make changes in how we work, obtain and use energy sources, adapt operations and make new investments. The energy sector that is traditionally based solely on centralized systems, large power plants, the intensive emission of CO<sub>2</sub>, pollution and fossil fuels as a source of energy will become a thing of the past. Before us is a decade-long energy revolution. GEN-I is aware of this and therefore aims, as a leading representative of the energy sector, to actively contribute to the creation of success stories on the path to a carbon-neutral future and a clean environment. We believe that the future lies in diversified renewable energy sources, e-mobility, demand response, and full digitalization, and in sustainable, efficient, clean and decentralized energy for everyone.

We are the leading promoter of the green transformation in Slovenia. For several years now, we have been active in the area of micro solar power plants. In 2019, we were the first in Slovenia to start-up a solar power plant on an apartment building and set up the first B2B solar power plant on the roof of a business customer. We are involved in the development of demand response technologies for small customers. We were the first company in Slovenia to issue green bonds, which received a rating of 'excellent' in 2019 from the ratings agency Moody's in New York. We are aware that electrification is the future. For this reason, we actively addressed the area of e-mobility in 2019, when we introduced to the market GEN-I's innovative e-mobility service and made it easier for the users of electric vehicles to use the public charging infrastructure. We also undertook to electrify our own car fleet, which we are successfully accomplishing. By the end of 2019, we had electrified 68% of our vehicle fleet and set up a charging infrastructure at all of GEN-I's organizational units. Through our work, we aim to set an example and show that the green transformation is possible, right now. We focus our knowledge on innovations that will allow our customers to achieve increased self-sufficient supply, more efficient energy consumption, smart energy management and thus the reduction of the carbon footprint. With the help of digital tools, we are verifying our own carbon footprint and improving sustainable innovations, and thus mitigating climate change and contributing to environmental protection. Because we believe that we can better utilize digitalization as a strategy and technology to

achieve a sustainable planet, we are attempting to link digital changes constructively with the green transformation.

Our values – respect, responsibility, commitment, inclusion and flexibility – not only personify our work on the path to the green transformation, but also define what is important to us, give meaning to our common behavior and decisions, and formulate our relationships within the company. We are establishing the company's culture and the associated values with the support of all employees. We are aware that employees are our most valuable commodity and thus strive to make it possible for them to develop their own potentials. We organize numerous programs for them, from onboarding as their introduction to the company and a way to learn about our culture, to awareness about sustainable content through green onboarding, various educational content accessible via the GEN-I Academy and mentoring programs. We also have a sports club, in the scope of which we organize a wide range of sporting activities and other sports-related social events.

The aim of this sustainability report is to show that the transformation to a green future is already happening, to present in detail our efforts on the path to the green transformation and to show that we are not only prepared for changes, but that we are also the driver of change. We believe that now is the time for action to ensure the future of our planet.

**Creating a green future. Together.**

### 3. VISION AND MISSION OF GEN-I

The consequences of climate change are increasingly visible and more profound, and affect both man and nature. Leading climate experts from around the world have confirmed beyond doubt that man's actions are the main cause of the global warming that has been evident since the middle of the 20th century. Despite numerous scientific findings and warnings, global greenhouse gas emissions continue to rise from year to year. Time is quickly running out to achieve the agreed objective of the Paris Climate Agreement, i.e. to limit the global temperature rise to well below 2 °C and to below 1.5 °C, if possible, relative to the pre-industrial age. The European Union (EU) is also aware of this, and has therefore undertaken to reduce its greenhouse gas emissions by 40% relative to 1990 until 2020, by 55% until 2030 and by 95% until 2050. The EU took an additional step in that direction

in 2019 when it adopted the European Green Deal, whose primary objective is to achieve climate neutrality in Europe by 2050. It aims to achieve that objective by adopting the first European climate law, through the digitalization of the European energy market with an emphasis on renewable energy sources (RES), through the transformation of the industrial sector, through low-emission technologies, through sustainable products and services, through the decarbonization of energy-intensive industries, through efficient energy consumption, by adopting a strategy for sustainable and smart mobility, and through numerous other measures set out in the framework of the aforementioned deal. Every individual and company can contribute to the implementation of those measures and to the achievement of the EU's objective.

#### Selected elements of the European Green Deal



Key areas that contribute to the carbon footprint are energy products, and their consumption for heating, electrification, transport, business, industrial processes, etc. The global carbon footprint is (too) big due to energy consumption. For this reason, radical and systematic changes are needed in how we work, as well as adaptations to operations and new investments. As one of the leading players in the field of energy, GEN-I is aware of its social and environmental responsibilities, and thus promotes measures in the area of sustainable development. We see the future of a carbon-free society in clean and decentralized energy for all, diversified renewable energy sources, e-mobility, demand response, efficient energy consumption, digitalization and the electrification of everything. We see our vision in the implementation of new solutions for a sustainable way of life.

#### 3.1. Promoter of the green transformation

As a promoter of the green transformation, we are aware that sustainability requires a new way of thinking and working. GEN-I has thus set itself the long-term objective of sustainable development, which it aims to achieve by changing the way it works, leading by example, investing in innovations, and by developing and creating products for the transition to the new energy era. In addition to the GEN-I's two core pillars (the trading and supply of energy), we have established a third pillar (energy services) where, as a team of leading experts in the field



Two dimensions of GEN-I's operations

of energy, we see our mission in the provision of products and services that help customers reduce their carbon footprint.

GEN-I pursues its mission in two dimensions of its operations: internally with respect to its employees and externally with regard to its customers and other stakeholders in the Slovenian energy sector.

Our objective is to lead by example, so we began the green transformation with ourselves. In the scope of operations, our mission is reflected inwardly in numerous internal projects, internal development and research and development projects in the area of sustainable energy. We also implement numerous measures to reduce our carbon footprint. We are on the path to the complete electrification of our vehicle fleet. Electric vehicles currently account for more than 60% of the entire vehicle fleet. Our office building in Nova Gorica is a low-energy structure, and has its own solar power plant, treatment plant, and a heat pump for heating and cooling. Through education and training, by promoting the green transformation, and through the development and promotion of commercial services that facilitate the reduction of the carbon footprint, our aim is to pursue our mission in relation to our customers and business partners, as well. We began measuring our carbon footprint in 2018, taking into account emissions generated by activities and equipment that we either own or control, emissions that arise in the consumption of purchased electricity by activities and equipment, and all other indirect emissions, such as transport to and from work and business travel (planes, taxis, buses and trains).

We are pursuing our commitment to the quickest possible transition to a carbon-free society in our work with other stakeholders in the Slovenian energy sector. We signed an agreement with ELES in September 2019 on the establishment of a consortium, whose purpose is to promote and accelerate the green transformation of the Slovenian energy sector with the aim of decarbonizing Slovenia by 2050. Both GEN-I and ELES are aware that mutual cooperation is required to achieve that objective. We thus invited anyone able to contribute missing knowledge and ideas for the achievement of the common objectives of the green transformation and transition to a carbon-free society to join us. As a result, three more electricity distribution companies joined the consortium: Elektro Ljubljana, Elektro Celje and Elektro Gorenjska. Changes will require a great deal of commitment and the transcending of traditional relationships between electricity companies and customers. The linking of all like-minded stakeholders is thus crucial for an effective response to climate-related challenges.

### 3.2. Vision of GEN-I

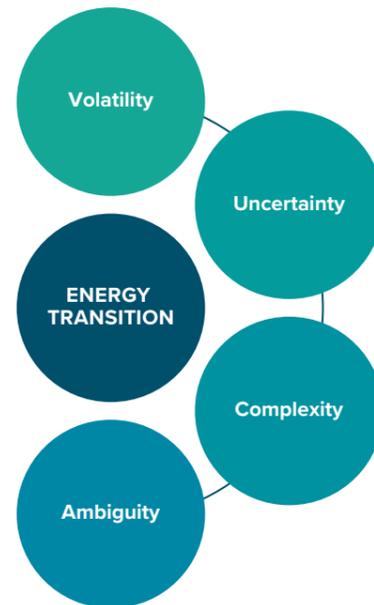
The GEN-I Group was formed 15 years ago, when the liberalization of energy markets was in progress in Slovenia and elsewhere in Europe. The liberated electricity market exposed energy producers and end-customers to market risks on the one hand, and presented new opportunities to optimize purchasing channels through international operations on the other. GEN-I d.o.o.'s vision was thus to establish a player on the regional energy market who combines the functions necessary for effective risk management in the purchase, trading and sale of electricity, and to enable production sources from the balance group to optimally market the energy they produce and to offer end-customers the high-quality supply of electricity and the optimization of their purchasing channels. The result was effective risk management across the entire supply chain, from electricity purchasing and trading to the sale of electricity to end-customers. We have more than achieved our planned vision over the last fifteen years. We have become one of the most recognized and respected energy traders in Europe, and one of the most trustworthy suppliers in Slovenia and on certain other markets according to customers.

During the last decade, the energy sector has come to the realization that it is time to shift towards decarbonization. The rapid development of new technologies makes that transition both feasible and economically justifiable. The GEN-I Group therefore updated its vision and, in addition to the core pillars of energy trading and sales, established a third pillar of energy services that help customers reduce their carbon footprint. We aim to achieve the latter through the use of the most advanced technologies, and through a high degree of digitalization and data-supported processes. Tomorrow's energy sector will thus be different than yesterday's energy sector. Customers will play a major role in tomorrow's energy sector, as the electrification of everything dictates the decentralization and democratization of the energy sector.

The company is not only developing new solutions for a sustainable way of life, but is also implementing them. We are using innovations to achieve our mission to promote the green transformation through commercially sustainable solutions. In the scope of the third pillar, we are both promoting and developing (green) energy services, such as self-sufficient supply, electrification and e-mobility, energy management and energy monitoring, and demand response.

### 3.3. Innovations

We have witnessed numerous changes in all areas in recent years, particularly in the energy sector. In addition to economic, technological, economic, social and geological reasons, the main reason for changes in the energy sector is climate change. In that light, we are facing an increasingly complex and unpredictable business, which itself is facing volatility, uncertainty, complexity and ambiguity.



The energy sector is that much more subject to changes due to (i) the energy transition; and (ii) the convergence of various activities. The changing environment therefore requires new approaches, new products and services, and thus new business models. GEN-I sees the solution in continuous innovation, through which we are able to develop new solutions for the market that are necessary for the transition to a sustainable way of life. Today, companies can no longer afford to ignore the importance of innovation, as it is precisely innovation that brings long-term commercial sustainability to a company.

Through its innovation- and sustainability-oriented business model, GEN-I is successfully adapting to current changes, following new trends and achieving its mission through innovations. We are aware that innovations are crucial for achieving our mission to promote the green transformation through commercially sustainable solutions. GEN-I has taken a systematic approach to innovation and developed an innovation strategy. At the same time, it systematically manages both financial and human resources. In this way, we ensure incremental innovations in our core activity, as well as cutting-edge innovations in new areas that will receive a great deal of attention and offer market opportunities in the future. To that end, we have put in place an innovation management system. We use new, modern approaches that are adapted to our internal environment in the innovation process. We also use open innovation approaches (collaboration with external partners and institutions, and participation in international research and development projects). We are striving to build an innovative culture, as we believe that we cannot be innovative without establishing such a culture amongst employees.

#### Development of an autonomous electric vehicle charging station based on distributed ledger technology (DLT)

Together with the Metron Institute and the company Netis, we were the first in Slovenia to present the new concept of an autonomous electric vehicle charging station that functions on the basis of distributed ledger technology. In the scope of that project, we developed an off-grid smart energy management system that facilitates comprehensive self-sufficient supply and sharing economy models in the energy sector. The revolutionary concept of smart autonomous electric vehicle charging is set up so that we can select the appropriate charging for our electric car through a user-friendly interface and pay for the kWh of electricity received with the help of a mobile application by scanning a QR code. Payments are executed through the exchange of energy stored in a blockchain. In this way, we have proven that we do not need to use bitcoins, as the carrier medium is energy itself. We thus store kWh instead of bitcoins and other crypto currencies in the GEN-I digital wallet that was developed by Netis. The essence here is that we do not need a connection to the electricity grid for such an autonomous charging station. It can be set up anywhere, which is why it is also interesting for the maritime and aviation industries. Mass-produced electric cars in Slovenia do not yet facilitate the use of electricity for charging on a micro home network, although this is already possible in certain countries. We nevertheless expect that this will soon be possible in Slovenia, too, but both technical and regulatory issues will have to be addressed. Through this new revolutionary and innovative concept, we have once again proven that innovations are extremely important and also necessary, as they make it possible for a company to develop, adapt to changes in the environment, follow new trends and ultimately achieve their mission through innovations.

## 4. IMPACT OF GEN-I'S SERVICES ON THE GENERAL PUBLIC

### 4.1. Solar power plants

Renewable energy sources will play a key role in decarbonization, a process in which the role of solar power plants will be particularly important. The production of electricity in solar power plants currently represents the greatest development and environmentally acceptable (cleanest) potential for increasing electricity production from renewable energy sources, both globally and, of course, in Slovenia. This has been emphasized in numerous EU documents (most recently the European Green Deal), and in reports issued by the International Renewable Energy Agency (IRENA).

GEN-I is aware that the energy sector is on the brink of major changes. We therefore see the future of a carbon-free society in clean and decentralized energy, and in diversified renewable energy sources. In the mosaic of the green transformation, we are not only developing new solutions with our subsidiary GEN-I Sonce; we are already implementing them.

The mission of GEN-I Sonce, which today employs more than 40 experienced experts, is to promote the use of solar energy with the aim of ensuring the energy self-sufficiency of household and business electricity customers. The focus of its activity is the construction of 'turn-key' devices for the individual self-sufficient supply of electricity on the roofs for residential buildings. In addition to individual self-sufficient supply, it also operates in two other areas: collective self-sufficient supply and business customers.

Since the start of operations in 2016 to the present, GEN-I Sonce has set up more than 1,280 devices for individual self-sufficient supply, where interest in such devices in the household and small business customer segments is continuously rising, in part due to GEN-I Sonce's promotion of the use of renewable energy sources. GEN-I Sonce offers

its customers a wide range of possible payment methods, and also holds a license for the provision of consumer lending services.

GEN-I Sonce can also boast of the implementation of the first and, to date, only pilot project in Slovenia for collective self-sufficient supply: a self-sufficient supply device was installed on the roof of an apartment building in Jesenice in February 2019. Through that project, GEN-I Sonce achieved a milestone and demonstrated how the implementation of collective self-sufficient supply can provide customers in apartment buildings the opportunity to avoid future rises in electricity prices and help them take the first steps on the path to their own green transformation.

In 2019, GEN-I Sonce also entered the business customer segment where it is already active. It has built the first solar power plant for a business partner. The subsidiary GEN-I ESCO, which specializes in the energy services agreements, also operates in the business customer segment.

Here we should mention that devices for individual self-sufficient supply set up by GEN-I Sonce reduced the carbon footprint by around 7,200 tons of CO<sub>2</sub> from 2016 to the end of 2019 and together produced around 15 GWh of green energy. More precisely, those devices reduced the carbon footprint of our customers by around 4,400 tons of CO<sub>2</sub> and together produced approximately 8 GWh of green energy in 2019 alone.

In the scope of the development of future EU energy communities, we are participating as technical-technological partner in the international (Horizon 2020) EU project 'Newcomers', whose objective is to analyze changes in the energy consumption patterns of households before and after their inclusion in an energy community.



**Solar power plant on an apartment building in Jesenice**

- Start of operation: February 2019
- Installed capacity: 36.7 kW
- Planned annual electricity production: 37,000 kWh
- Reduction of carbon footprint: 18,882.15 kg CO<sub>2</sub> a year



**Solar power plant at Steklarna Hrastnik**

- Start of operation: October 2018
- Installed capacity: 184.2 kW
- Planned annual electricity production: 180,920 kWh
- Reduction of carbon footprint: 94,770.9 kg CO<sub>2</sub> a year

### 4.2. E-mobility

Traffic is considered one of the largest final energy consumers and in the European Union (EU) alone generates one quarter of all CO<sub>2</sub> emissions. Road traffic generates nearly three quarters of the latter, and thus represents the greatest potential in the transition to more environmentally friendly forms of mobility. The recently adopted European Green Deal envisages a 90% reduction in CO<sub>2</sub> emissions into the atmosphere by 2050. In addition to other measures, the 13 million carbon-free or low-carbon vehicles expected on European roads by 2025 should contribute to the achievement of that objective. Along with the appropriate infrastructure, the integration of the charging infrastructure in the grid and the use of renewable energy sources in the production of electricity are required for the establishment of sustainable e-mobility. In order to accelerate the transition to electric cars, the following conditions (at a minimum) must be met: a wide range of affordable electric vehicles, an easily accessible charging infrastructure, the easily understandable use of new technology and improvements to the current user experience. An electric vehicle becomes an acceptable choice when the user understands it as an equal or better means of transport than other options.

The services that we are developing are based on alleviating the burden on our users and simplifying their progress on the path to a digital and sustainable future. We therefore developed the advanced e-mobility service in 2019. That service provides the drivers of electric vehicles the simple and affordable use of public charging stations in Slovenia and Croatia, which in turn simplifies the use of electric vehicles and increases driving comfort.



**1 user card**    **350 charging stations** in Slovenia and Croatia    **1 customer's electricity bill**

In addition to easy use and the broad network of charging stations included in the GEN-I e-mobility service, the latter facilitates the fully automated payment of charging. The user card, received by every customer for the one-time registration

process, facilitates charging at more than 350 charging stations in Slovenia and Croatia, while the associated fee is charged once a month on the customer's electricity bill. Using the e-mobility service, customers who have already recognized the advantage of electric cars drive faster, cheaper and with less planning.

Using the e-mobility service, drivers carried out more than 5,000 electric vehicle charging session during the second half of 2019 alone, and drove close to 340,000 electric kilometers using the energy from those sessions.[1] We are proud of the fact that we have made a step forward for users through a simple but advanced technological solution. That step is paving the way to a sustainable mobile future.

### 4.3. Sustainable energy cycle

The uneven production of electricity from renewable energy sources can be addressed through storage, where new opportunities are opening with the development of e-mobility. The latter currently functions according to a system in which electric vehicles draw energy from the grid. Thus, a major portion of battery capacity remains unused, as the majority of vehicles are stationary for an average of 23 hours a day. While they are stationary, their battery can serve as a storage device for energy produced from renewable energy sources.

The above-described storage method is technically feasible today. With the help of advanced technologies and smart charging stations, stored energy from renewable sources can also be sent to the system during deficit periods. Representing one such opportunity for an energy transformation is the sustainable energy cycle (SEC) system, which was designed by our partner, the Metron Institute. Our development team upgraded that system with technology that facilitates the storage of existing connection power and the continuous functioning of current limiters. Its viability was confirmed in several pilot projects.

The SEC system is one of the development paths through which we are pursuing our vision of a carbon-free society, and is the company's contribution to support for the local electricity grid and the future challenges of transmission systems.

1 The calculation takes into account the following average energy consumption for the use of electric vehicles: 20 kWh/100 km.

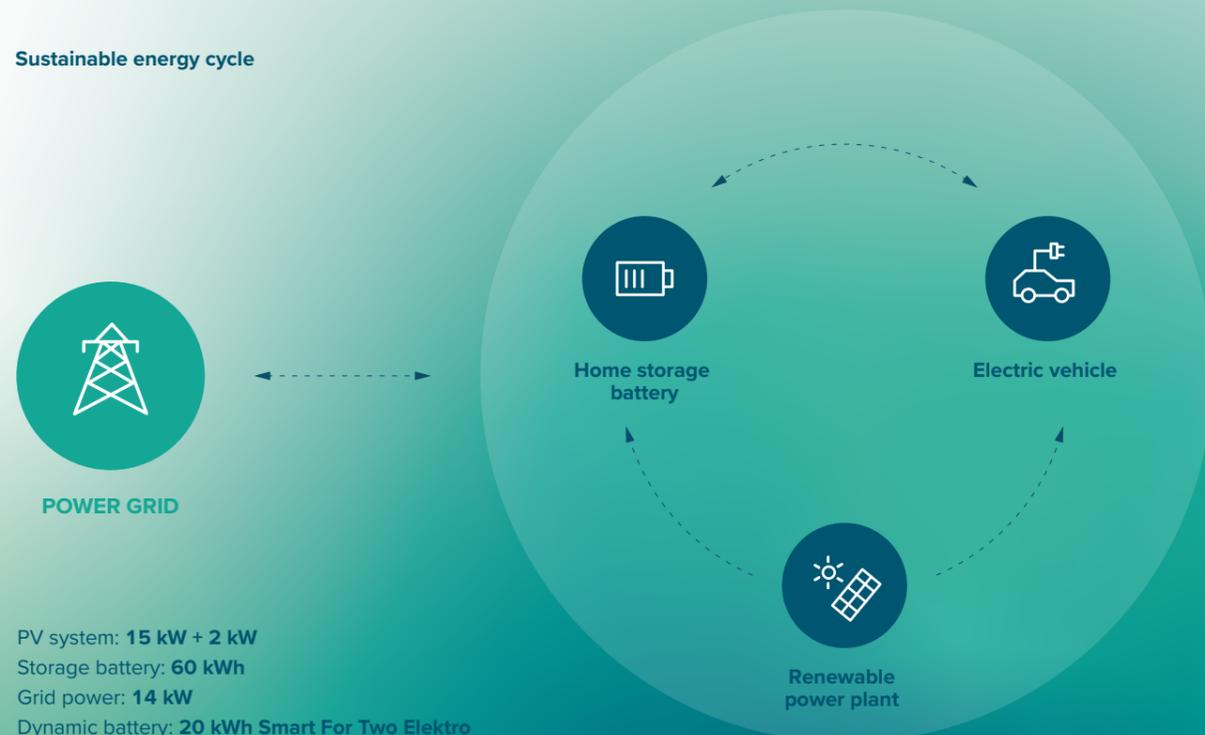
Through that system, we are pursuing two sustainability objectives: an increase in renewable energy sources in the grid and more electric cars on our roads. The objectives of the SEC system derive from the latter: (i) to establish the possibility of storing electricity obtained from renewable sources; and (ii) to manage energy storage units in a micro grid with the aim of reducing the impacts on the electricity distribution system and covering electricity consumption peaks.

The SEC system is an upgrade to the traditional electricity system, and is financially and technically feasible today. With that system, electric vehicles and micro grids, such as apartment buildings and commercial buildings, become active elements in the new energy system, which is smartly linked to the existing system, with which it forms a dynamically managed whole. Through such a link, the SEC system opens numerous opportunities for the future: in addition to a solution for the increased inclusion of renewable energy sources in the electricity distribution system at reduced operating costs,

opportunities exist for the owners of electric vehicles, who through their active participation in the systematic provision of electricity would reduce the ownership and maintenance costs of their vehicles, and become energy independent and carbon-neutral through the production of their own electricity with a solar power plant.

The feasibility and efficiency of the SEC system was proven in a pilot project to test the functioning of the system at the Metron Institute's organizational unit in Obrežje. In addition to a commercial building, two residential units and seven electric vehicles are connected to the micro grid at the aforementioned location. Additional battery packs with a total capacity of 25 kWh are available for vehicles as support for long drives, otherwise they serve as battery storage devices. One vehicle can be connected directly to the storage system via a DC connection.

**Sustainable energy cycle**



- PV system: **15 kW + 2 kW**
- Storage battery: **60 kWh**
- Grid power: **14 kW**
- Dynamic battery: **20 kWh Smart For Two Elektro**
- Additional peak shaving inverter power: **15 kW**
- Maximum system power: **44 kW**
- 5 AC dynamic charging stations
- 1 DC V2G charging station

**4.4. Purchase of carbon-free electricity**

We are the leading buyer of energy from smaller plants that use renewable energy sources and cogeneration, as we hold the highest market share in Slovenia. In 2019, GEN-I purchased carbon-free electricity from a total of 182 hydroelectric power plants, 1,049 solar power plants, 19 biogas-powered power plants, 39 cogeneration plants and three wind power plants. Total energy purchases amounted to 334,254 MWh.

We dedicate special attention to electricity producers from whom we purchase energy produced from renewable energy sources (RES) and in high-efficiency combined heat and power plants (CHP). We offer producers the most favorable purchase prices and various electricity purchase options, and help them optimize the energy purchase process. By assuming risks within our portfolio, we also facilitate secure and stable operations.

TYPE OF POWER PLANT	NUMBER OF UNITS	QUANTITY IN MWH
Hydroelectric power plants	182	162,015
Solar power plants	1,049	70,129
Biogas-powered power plants	19	70,734
Cogeneration plants	39	25,592
Wind power plants	3	5,784
<b>TOTAL</b>	<b>1,292</b>	<b>334,254</b>

**4.5. Financing**

In 2017, we issued an innovative financial instrument, known as a green bond, with the aim of promoting investments in renewable energy sources. The purpose of the bond is to facilitate affordable financing of environmentally efficient products and technologies. That green bond, through which the subsidiary GEN-I Sonce raised €14 million in funding from SID banka and NKBM, was the first such bond issued by a Slovenian company and one of the first in Central and Eastern Europe. The bond is fully compliant with the Green Bond Principles developed by the International Capital Market Association, and precisely defines the use of funds, the procedure for assessing and selecting projects, the management of allocated funds and reporting on cash flow. This ensures that funds raised through green bonds are earmarked exclusively for green projects.

Through the issue of the green bond, we provided customers affordable sources for the financing of sustainable green investments and thus expanded possibilities for such investments. Our sustainable financial strategy was also recognized by the ratings agency Moody's from New York, which gave us a rating of 'excellent' in April 2019. The most important factors in the Green Bond Assessment of 'excellent' (GB1) were the possibility of building solar power plants of the highest quality and comprehensive reporting on environmental impacts during the validity of the green bond. In 2018, the Climate Bonds Initiative organization presented us the prestigious Green Bond Pioneer Award intended for companies, financial institutions and governments for their achievements in the development of green bonds.

The most recent data regarding the environmental impacts of green technologies financed on the basis of the green bond were presented in GEN-I Sonce's report on the compliance of operations with the commitments set out in the prospectus for the GES1 bond as they relate to the ICMA's GBP as at December 31, 2019. Until that date, we had earmarked around €8 million to finance environmental investments using funds from the green bond, and thus facilitated the set-up of 1,287 solar power plants for self-sufficient supply, 57 heat pumps and eight solar power plants outside the self-sufficient supply regime.

### 4.6. System services

System services ensure the secure and continuous functioning of the electricity system. The transmission system operator (ELES) must ensure the stable functioning of the electricity system at all times. One of the mechanisms in that respect is cooperation with electricity producers and with customers in certain cases. For several years now, GEN-I has been developing innovative products, the primary aim of which is to generate added value for our business partners. We help partners who wish to be active on the electricity market maximize their production efficiency or energy consumption, and thus generate an additional, frequently overlooked, source of revenue.

As an aggregator of diversified sources, our aim is help ensure the stability of the electricity system by adjusting the

demand for and production of electricity. We were among the first suppliers in Europe to offer demand response marketing services with the aim of exploiting market opportunities. The scheduling of electricity production or consumption is becoming increasingly important. We therefore use the most advanced solutions and advanced analytics to make it possible for our partners – large business customers and smaller producers – to be part of the reserve power market.

Another objective of our system services is to reduce the carbon footprint. We thus strive to ensure the highest possible proportion of RES and CHP in our virtual power plant portfolio. We increased the number of green partners by 25 and the number of green technical units by 28 in 2019. We added 26 MW of capacities from green technologies, an increase of 62%.

**Table: Comparison and overview of green technologies used in our virtual power plant in 2018 and 2019**

	2018	2019	GROWTH IN GREEN TECHNOLOGIES IN ABSOLUTE TERMS	GROWTH IN GREEN TECHNOLOGIES IN RELATIVE TERMS
Number of companies	18	43	25	139%
Number of technical units	39	67	28	72%
Available power (MW)	42	68	26	62%

We will continue to strive in the future to make all diversified sources from system services green.

## 5. INTERNAL OPERATIONS OF GEN-I

### 5.1. Digitalization of operations

Digitalization and sustainability are the two most important business strategies of today's corporate environment. If these two trends are successfully combined, we can begin to talk about clean technology, environmentally friendly (production) processes and transformation into a sustainable organization. Digitalization – big data, artificial intelligence, the Internet of Things, cyber security, etc. – is frequently described using the hyperbole “the new oil”. We prefer the term “new Earth”. The same is true of sustainability, which is becoming both an economic and moral imperative of our time.

Digital transformation is a strategic priority for close to ninety percent of leading global companies and organizations, and we are proud to join them. At GEN-I, we believe that we possess both the skills and the appropriately qualified employees to implement such changes. We have therefore committed to adopting future business decisions based on data.

We are introducing digitalization at all levels of operations, including in customer relations, marketing, sales, after-sales activities and the performance of internal business processes. We are becoming a highly digitalized company that uses digital channels for cooperation with customers and business partners, and for making data-driven business decisions. We employ advanced technology for effective operations and understand digital technology as a strategic advantage.

We produce and gather data on the one hand, and develop skills for the in-depth insight and analysis of that data on the other. We are building and introducing a single, centralized analytical platform that will satisfy the need to store and process large quantities of data in various forms and in different ways. Readily accessible digitalized processes and data allow us to develop decision-making and other algorithms that lead to objectives, such as algorithmic trading, high-frequency trading and the development of green services. We possess a tremendous amount of knowledge about forecasting. It is precisely that forecasting that allows us to trade and sell energy efficiently, and also puts us in a very good position relative to other companies.

In addition to the introduction of new technologies, the digitalization of operations undoubtedly requires a change in how we think and thus how we act, as a versatile force for the transformation of values within the organization. Because we believe that we can better utilize digitalization

as a strategy and technology to achieve a sustainable planet, we are attempting to link digital changes constructively with the green transformation. With the help of digital tools, we are verifying our own carbon footprint and improving sustainable innovations, and thus mitigating climate change and contributing to environmental protection.

Such changes present us both major opportunities and serious challenges. The high-capacity capture, storage and processing of data represent an infrastructural and technological challenge for GEN-I. We have mastered new, highly specialized knowledge. In organizational terms, we were forced to include people with different profiles from different companies and departments in the process of addressing data-related challenges. In terms of digitalization, new, primarily security issues are emerging. An important element of our activities is thus the protection of our customers' data that we collect and use in a morally responsible manner.

Responsiveness, flexibility and the rapid adaptation to changes and the needs of the market are highly valued in contemporary operations. We thus make constant improvements through our internal digital strategy, and make use of technology for the development of new products, for expansion to new markets and to penetrate new customer segments. We are becoming quicker and more agile, while at the same time achieving our strategic objective of the green transformation by searching for intersections between sustainability and digitalization.

Last year, we digitalized the sales process of GEN-I. Since which, in addition to time savings, means that our teams can carry out a major portion of the process directly in the field, where they have updated data regarding customers, products and the sales process at their disposal at all times. Last but not least, we introduced the electronic signing of agreements on the switching of electricity supplier. This provides our customers the user-friendly, paperless conclusion of agreements or the exchange of data. We are thus able to perform digital procedures faster, with fewer mistakes and in an environmentally friendly way.

## 5.2. Carbon footprint of GEN-I

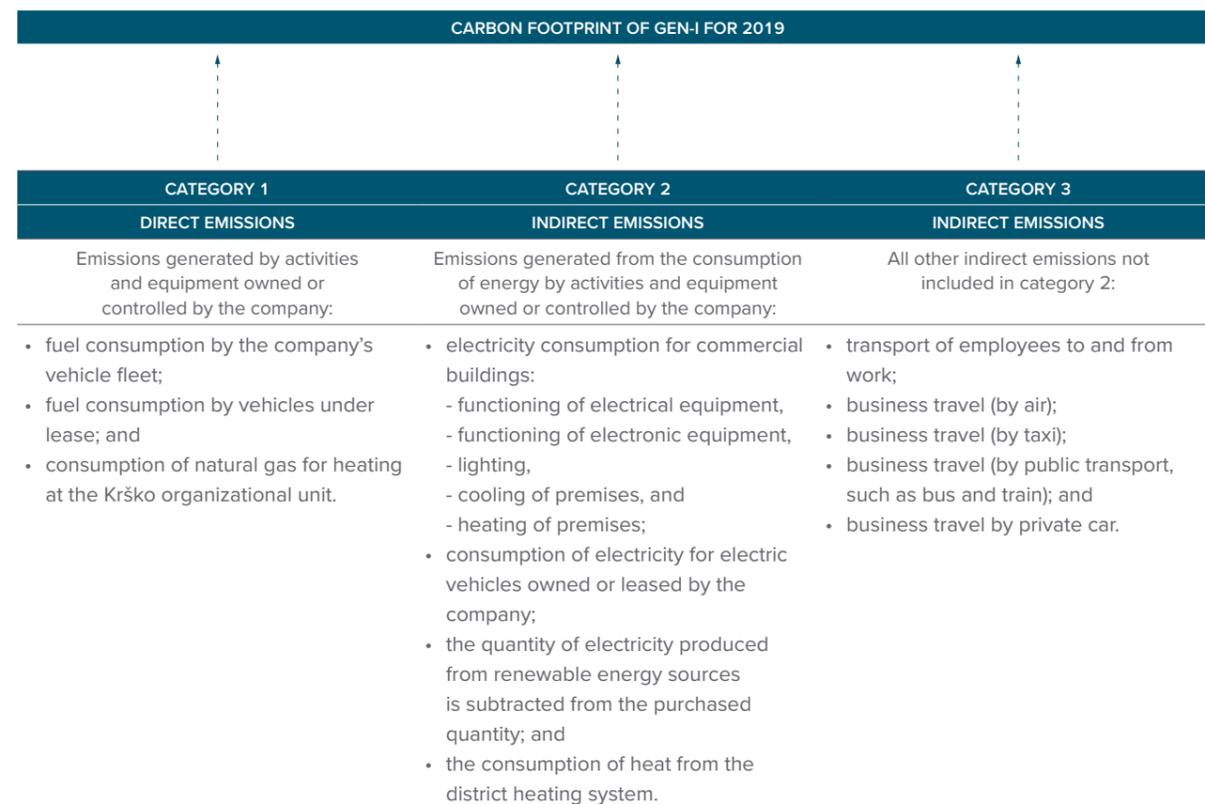
The term carbon footprint is used to express the quantity of carbon dioxide (CO<sub>2</sub>) and other greenhouse gas (GHG) emissions released through the activity of an individual, company or organization. The calculation of the carbon footprint is thus one of the basic measures of how a company impacts the environment. We also began calculating our carbon footprint in 2018 with the aim of controlling emissions, and as a means for sustainable energy management and environmental protection.

Based on the data obtained, we performed a calculation and identified the areas that generate the most CO<sub>2</sub> emissions.

This was followed by the definition of priorities in terms of measures to achieve the greatest effects in the reduction of our carbon footprint. The system used to calculate and monitor the carbon footprint is an indication of our social and environmental responsibility, and allows us to make our operations increasingly sustainable. Last but not least, reporting on our carbon footprint raises the awareness of employees and the general public. At the same time, we present best practices and promote improvements and changes to our own habits.

The calculation of GEN-I's carbon footprint for 2019 included the parent company and subsidiaries registered in Slovenia.

The following sources of greenhouse gas emissions were included in the calculation of the carbon footprint for 2019:



We calculated the carbon footprint in accordance with the generally accepted methodology set out in the Greenhouse Gas Protocol. The carbon footprint is expressed in tons of CO<sub>2</sub>.

Table: Carbon footprint of GEN-I for 2019

GEN-I	
Surface area (m <sup>2</sup> )	5,876*
Number of employees	403*
TCO <sub>2</sub> e	659
TCO <sub>2</sub> e/employee	1.6

\* The number of employees at the locations in question represents the average annual number of employees, while the surface area of business premises represents the average annual surface area.

Table: Carbon footprint by source for 2019

SOURCES	TCO <sub>2</sub> e
District heating	51
Electricity consumption*	0
Electricity consumption (charging stations)*	0
Natural gas consumption	2
Business travel	370
Transport to/from work	236
<b>Total</b>	<b>659</b>

\* GEN-I did not generate a carbon footprint through the consumption and production of electricity, as the latter was produced from 100% RES. Emissions for electric vehicles are included in the figures for transport.

Table: Comparison of 2018 with 2019

	2018	2019
Surface area (m <sup>2</sup> )	5,066	5,876
Number of employees	342	403
TCO <sub>2</sub> e	1,074	659

## 5.3. Sustainable mobility

The results of the measurement of our carbon footprint in 2018 indicated that we release the most emissions in transport to and from work and in business travel. We therefore launched an internal sustainable mobility project with the aim of reducing the carbon footprint in the area of employee mobility. During 2019, we implemented certain measures in this area and increased investments aimed at low-carbon and sustainable mobility. We added 28 electric cars to the vehicle fleet, bringing the proportion of company-owned electric cars to more than 60% by the end of 2019. We thus have one of the most extensive company-owned electric vehicle fleets in Slovenia.

GEN-I generated the majority of its carbon footprint in 2019 through transport, which includes business travel and transport to and from work. Business travel includes travel by employees for business needs using company-owned BEV, PHEV, HEV and ICE, the use of private cars by employees for business travel and the use of public transport means (plane, bus, taxi, train, etc.).

In calculating the carbon footprint, we also compared the carbon footprints of 2018 and 2019. That comparison indicated that we reduced the carbon footprint in 2019 by 39% relative to 2018.

We established a charging infrastructure at all organizational units, with 31 charging stations and 46 charging points. We are also developing projects in the area of integrated energy supply with the aim of facilitating the charging of electric vehicles without upgrading the existing infrastructure. In the scope of sustainable mobility, we are developing business models in connection with electricity storage devices and the production of electricity by solar power plants that will be connected to high-tech IT solutions. Last but not least, we are also dedicating attention to educating employees on the importance and positive impact of sustainable mobility.

Table: Number of charging stations and charging points as at December 31, 2019

LOCATION	NUMBER OF CHARGING STATIONS	NUMBER OF CHARGING POINTS
Ljubljana	16	25
Krško	6	12
Nova Gorica	9	9
<b>Total</b>	<b>31 charging stations</b>	<b>46 charging points</b>

Here we should mention that we have driven 481,040 green km and reduced CO<sub>2</sub> emissions by 58 tons since the introduction of sustainable mobility in 2019 in the form of BEV. Savings in CO<sub>2</sub> emissions are comparable with 194

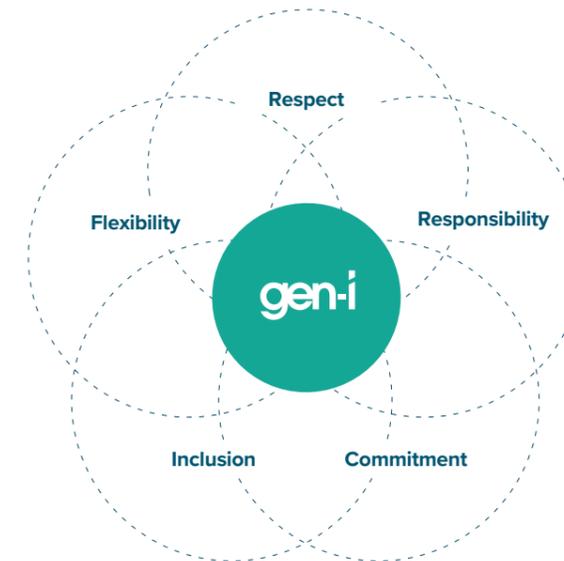
trees that generate a comparable quantity of CO<sub>2</sub> emissions over the course of their life. Most importantly, we saved more than €25,000 in fuel in 2019 with the introduction of sustainable mobility in the form of BEV.

Table: Savings with BEV in 2019

	Number of green kilometers	481,040 km
	CO <sub>2</sub> emission savings	58 tons
	Comparable number of planted trees	194 trees
	Fuel savings	> €25,000

## 6. GEN-I AND EMPLOYEE DEVELOPMENT

### 6.1. Values



Our values – respect, responsibility, commitment, inclusion and flexibility – define what is important to us, give meaning to our common behavior, guide our efforts and decisions, and formulate our relationships. Those values also personify our work on the path to the green transformation and the efforts of individuals for a cleaner environment.

*Respect is demonstrated by integrating the work of the individual, through willingness to accept the opinions of others and through the active search for solutions that contribute to the pursuit of common objectives.*

We achieve the best results through team work and cooperation, which are based on mutual respect. That respect is demonstrated at all organizational levels, while we ensure that we serve as examples to one another. We listen to every thought or new idea, and take into account its contribution to the achievement of a common objective. We at GEN-I also respect nature. We therefore go by bike instead of car whenever possible, turn off lights when they're not needed, and use cooling and heating devices in moderation and in an energy efficient manner.

*Responsibility is demonstrated in a diligent approach to work, the assumption of responsibility for one's own results and by constantly striving for good common results. We establish open, fair and diligent relationships with customers*

*and business partners, and provide them the optimal solutions.*

We invest a little bit of ourselves in everything we do and contribute our share to the common good. Combining our interests with the interests of the company drives the efforts of the individual to achieve common objectives and accept greater responsibility. We are also responsible to the environment, and thus strive for sustainable development, a carbon-free society, the reduction of waste, the use of locally produced foods and responsible purchases. Through our actions, we also strive to raise the awareness of society as whole about sustainability and e-mobility.

*Commitment is a part of our corporate culture and is expressed in our employees' attitude to knowledge, work, their co-workers and to the Group's business partners. We understand commitments as the desire to continuously improve and develop the competences that give us the strength to achieve changes.*

We have recorded continuous growth in operations since the company's establishment, while we are searching for knowledge and innovative solutions that also facilitate continuous growth in the number of employees. By strengthening teams and welcoming new co-workers to our collective, we continuously demonstrate that are willing to share our knowledge and transfer it eagerly, passionately and without reservation to new employees with the aim of achieving common objectives. We also spread our vision of the future beyond our core activity. Part of our commitment are thus solutions for a green future that we implement at all levels of operations to maximize our contribution to that future.

*Inclusion is sought in and expected of every employee. To the Group it means striving actively to achieve common objectives, the search for new solutions and putting forth initiatives to implement those solutions.*

We at GEN-I believe in the power of the team, where every individual strives for superior common results and final victory. Our success in the achievement of organizational objectives is the result of the high level of inclusion of employees from the very start. We are continuously approaching our social vision of a carbon-neutral Slovenia and world, and our work is focused at all times on reducing global warming.

***Flexibility** means a positive approach to changes as a way to increase out competitive advantages. The environment in which we operate is extremely dynamic. Changes and the associated challenges are therefore a part of our operations. In them, we see opportunity for growth.*

We are aware that renewable energy sources, the sun as an inexhaustible and unlimited source and the associated production of energy are crucial for meeting growing energy needs in contemporary society, while the first electric cars are appearing on our roads. GEN-I anticipates and develops solutions for every challenge, while all changes represent an opportunity for our growth and development. We continuously adapt to the laws of nature and focus our work on the good of the planet.

We believe that the team and not the individual succeed. We thus actively included all employees in the selection of values. Through mutual interaction, employees achieve common objectives and contribute to superior results with their individual contributions.

Every year, we invite employees to select ambassadors of our values. We call them Geniuses. Employees vote for the person who they believe best personifies the core values of the company. Selected ambassadors serve as an example to all Group employees and are rewarded with a spectacular professional trip. This year, we made our way to North America, where we organized a day-long tour of Silicon Valley, visited the advanced Tesla factory in Fremont and took time for a tour of San Francisco.

## 6.2. Onboarding

At GEN-I, we believe that our success in the dynamic and complex energy business is based on teamwork, good mutual cooperation and the expertise of our employees. Our aim is to establish the company's culture and the associated values with the support of all employees. To that end, we kicked off the onboarding project at the beginning of 2018. That project, which today serves as a regular onboarding program for all new employees, is a systematic and focused approach to the inclusion of all new employees in the company's culture and social environment, to the meeting and networking of employees, to the mutual sharing of knowledge and experiences, and to learning the basics of the company's operations. Through participation in the

program, new employees learn directly about the breadth of the company.

As part of the onboarding program, every new employee is given access to the digital classroom, referred to as the GEN-I Academy, on their very first day of work. Above all, the aforementioned academy is a tool used by the HR department to ensure the most effective onboarding process for new employees, while it also makes it possible for individual departments to define and distribute their own content. An essential element of our digital classroom is thus a basic range of presentations about the company and its activities. Once every quarter, we organize presentations at all three organizational units in Slovenia. Those presentations are made by GEN-I's employees, department heads, area directors and even members of the Management Board, as our employees are the richest source of knowledge and experiences. Each of them presents important content relating to the company, while participants share their own experiences gained while working at the company. At the end of each presentation, participants test their knowledge through an online questionnaire, and provide their assessment of and opinion regarding the presentation. The feedback of participants is extremely important, as our aim is to co-create new program content with them, while they also encourage us to make improvements.

The majority of new employees are starting their first job in the energy sector. We therefore want them to understand how the electricity system functions, from the production of electricity to the satisfied end-customer. For that purpose, we organized a tour of the GEN Energija Group's power plants. The Krško Nuclear Power Plant and Brežice Hydroelectric Power Plant regularly host excellent guided tours. We conclude each onboarding program with a visit to our call center in Krško, where we offer participants the opportunity to make direct contact with our customers. Following a preliminary presentation of the work of the customer relations department and preparations for contact with customers, new employees are given the opportunity to receive calls in the call center and provide customers all necessary information. With the help of new employees, we ensure that customers are satisfied with our services.

At GEN-I, we are aware that our work tasks will change significantly over time. We believe that the talented employees of the future must be multidisciplinary, with an open personality and character. Those persons capable of

capturing knowledge from the three worlds of humanities, social sciences and technology will enjoy an advantage in the future. For that reason, we launched the new green onboarding project in 2019, with the aim of immersing GEN-I in a new philosophy and transformations that relate to the most important processes at the company. Our aim was to add the freshness of a humanistic touch to the traditional energy activity. We thus made it possible for new employees with different educational profiles who joined GEN-I in 2019 to participate in the project and divided them into different multidisciplinary teams. All teams were given interesting tasks from different work areas. In the scope of project work, they implemented their decisions, with a note of sustainability. The inspiration to launch the project was provided by the President of the Management Board, Dr. Robert Golob, with the aim of establishing a positive work environment, opening and creating opportunities for sustainable dialogue, nurturing personal growth and the development of individuals and, last but not least, providing constructive feedback. The objectives of the project itself and multidisciplinary teams include a change in employees' attitude to work, the positive promotion of thinking outside the framework of an individual's work area, increased inclusion and networking between individuals, willingness to accept the opinions of others and the acquisition of new knowledge and experiences. In this way, we promote interdisciplinarity and a penchant for the changes that are a constant in today's world, and to develop and guide our employees. We believe that the synergies and enthusiasm of employees lead us to superior results and, ultimately, to a common mission.

The project has proven to be successful, and we are planning to continue it in the future with the inclusion of mixed multidisciplinary teams in all functional areas of GEN-I's operations. The success of the project has also been recognized by others, as we received an award for best HR project in the large enterprise category at the 2019 HRM Conference.

## 6.3. GEN-I Academy

Promoting employee growth, maintaining an effective onboarding process for new employees and on-the-job training are essential for all companies and organizations. In a contemporary business environment, learning and teaching are subject to changing requirements and expectations,

particularly in terms of the structuring of the process. The digital transformation of educational content into a paperless format represents a step towards the optimization of the education and training process, while fulfilling the strategic objective of GEN-I's sustainable operations. Given that we operate in three different organizational units in Slovenia and through sixteen subsidiaries in more than twenty countries with more than four hundred employees, the digitalization of content is an entirely logical approach to the transfer of knowledge. Such knowledge is also more effective and logistically more appropriate for the organization.

We have decided to invest in the building of capacities for the digital transfer of knowledge because we believe in the concept of lifelong learning which, following the completion of formal education, contributes to the strategic development of talents and ensures the future of the company. Corporate digital learning improves the engagement of our employees, facilitates the transfer of knowledge and ensures good work results. At the same time, it serves as a platform for the co-creation of knowledge, and the exchange of ideas and best practices between employees.

The aim of upgrading the education and training process to a digital format, which we refer to as the GEN-I Academy, is to combine the most varied educational content in one place. By transforming education and training content to a digital format, and by using new tools and techniques, we have extended the reach and improved the consistency of content, while ensuring the sustainability thereof, as materials are accessible online for an extended period of time. We haven't moved only audio and video materials to the web, but also certain presentations in full. The GEN-I Academy also includes reports and materials from internal and external conferences, a library and content for onboarding new employees. We have also introduced the digital capture of internal presentations following the example of *TED Talks*. These presentations have sparked interest amongst employees and more or less relate to our business activity.

## 6.4. Mentoring program

GEN-I sustainability-oriented business environment has been accompanied by changes in the area of human resource management that contribute to the sustainable development of our organization into a thinking business environment.

One of the HR initiatives that we would like to include in our strategic mission of sustainability is the so-called transformational mentoring.

The transformational mentoring project that we developed in 2019 is based on cooperation and the search for synergies between different generations of employees, their personal values and organizational objectives. It represents one of the methods used to build a culture of cooperation and strengthen employee commitment. The purpose of the project is to share the desired culture, behaviors, knowledge, values and unwritten operating rules, while at the same time identifying the meaning of the organization. With the help of the program, we are strengthening competences for a transformation and transition to a thinking work environment.

Studies show that between 70% and 90% of learning in the workplace takes place through mentoring and informal training. We have joined the one third of global companies and organizations that have already introduced mentoring. Last year, we tested a new reference standard on close to twenty mentoring pairs comprising a mentor and mentoree.

Our own experiences have shown us that such tandems successfully acclimatize the mentoree with the organizational culture and the associated values. We have found that it is an irreplaceable approach for transferring organizational wisdom, skills and knowledge from the most experienced employees to those with less experience. The result is more effective learning, which reduces the agony of trial and error and the uncertainty of employees. At the same time, it develops a wide range of skills, increases satisfaction and support the career development of those included in the program. The experiences of mentors and mentorees are a testament to satisfaction in the giving and receiving of knowledge and the development of alliances that provide support in the development of strategic initiatives and function as a unique form of recognition in a competitive work environment. Psychosocial support and a credible and sustained alliance between the mentor and mentoree are thus maintained even after the completion of formal mentoring.

We are aware that a competitive advantage is achieved through employee development. Through HR initiatives such as transformational mentoring, we are exceeding industry standards and creating a positive and stimulating work environment. We are strengthening trust, loyalty and commitment amongst employees, and thus achieving our mission regarding the sustainability of the company. Due

to positive past experiences, we will continue the cyclical practice of mentoring pairs in the future.

## 6.5. Sports club

The active and healthy engagement of employees in all periods of life is exceptionally important. The quality use of leisure time has positive effect on both the physical and mental condition of the individual. We therefore decided to make various sporting activities available to all employees. To that end, we established the GEN-I Sports Club, through which we lead, organize and participate in activities, offer discounts in sporting goods stores and promote an active life style. In the scope of the club, we bring together different offices, departments and age groups, and encourage socializing outside of working hours, which leads to positive relationships between employees.

The club organizes a wide range of activities and strives to satisfy the wishes of participants, while following innovations and trends in the area of recreation. It organizes different physical activities with active and experienced trainers. We cover areas such as jogging, street and mountain biking, mountaineering and hiking, climbing, football, basketball, fitness, guided and other functional exercises, yoga, racket sports, such as tennis, squash and badminton, as well as various water sports, indoor and beach volleyball, recreational dance and activities at a trampoline park. We also organize ski trips in the winter and other sport-related social events.

The development and functioning of the club are driven by the teamwork of motivated, conscientious and responsible employees who actively lead different sections, monitor the activities and responses of members and guide them, and report to the club's president. The level of inclusion and responses of employees are better than expected. In 2019, employees regularly participated in the organized and individual activities offered by the club, while those responsible for different sections ensured the spread of a sporting spirit and motivated anyone needing motivation.

In marathons alone we ran 1,021 kilometers, skied 1,800 kilometers on white slopes and burned 1,660,800 calories in fitness and other guided exercises in 2019. We swam for a total of 98 hours and meditated during 216 hours of morning yoga for relaxation and focused thinking.

## 7. MEASURES PLANNED IN 2020

With regard to the green transformation, our aim is to remain the leading promoter and an example to others. We will continue to strive and, through best practices, promote and implement innovative green solutions. We adopt measures every year with the aim of continuing with sustainable practices and reducing our carbon footprint. The measures we are planning in 2020 for that purpose are as follows:

- the drafting of a mobility plan;
- the implementation of measures for the further electrification of the vehicle fleet;
- the appropriate changes to employees' business travel habits by increasing digital participation at events and meetings;
- the implementation of measures in the area of micro-mobility;
- investments in the development and implementation of business models in the areas of innovation and sustainability, and above all in the areas of solar power plants and e-mobility;
- an increase in green technologies in the portfolio of our virtual power plant;
- the continued drafting of a carbon footprint report, through which we will be able to monitor the success of the reduction of our carbon footprint;
- support for and the implementation of green projects; and
- the promotion of sustainability and green technologies amongst employees and the general public.

