

**Living
our Values
Good Energy
in Business
2007**

“Our drinks contain the finest natural ingredients. We’re proud to say it’s the same with our electricity. It’s 100% green from Good Energy.”

Richard Reed, Co-founder, innocent drinks

Towards A Low Carbon Future

Good Energy provides solutions for low carbon living. We started with 100% renewable electricity. Today we are moving into new areas including growing our support for electricity generation as well as providing energy efficient and low carbon products. Our target, is through the actions of our business and our customers to save a million tonnes of carbon dioxide a year.

www.good-energy.co.uk

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Good Energy^o

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Welcome



“It is gratifying to gain recognition for the principled position we have taken on renewables, never deviating from our 100% renewable electricity tariff and support of small to medium sized generators.”

Welcome to our fifth annual report on our environmental performance. This year we took the decision to extend the remit of this report to incorporate the wider social agenda – so we have renamed it our **Values Report**.

2007, as ever, has been a full and exciting year of activity. In fact, such is the pace of life at Good Energy that we really appreciate the discipline of producing this report as it creates the opportunity to reflect on our performance – where things are going well and where we can make improvements. It is about looking back and also looking forward – learning and developing all the time.

Companies use a range of different indicators to measure their performance – usually financial indicators such as profit, growth, shareholder value. Certainly these indicators are important for every company to stay in business, but there is another indicator which we place huge value on, namely the carbon savings made by our customers. In 2007 we have seen a 7% increase in the carbon savings made by our customers rising to 47,000 tonnes. Still some way to go to achieve our company goal of saving 1 million tonnes of carbon a year but we are on our way!

For me, one of the notable highs in 2007 was the National Consumer Council's report on the green electricity market place which found Good Energy to be the

greenest provider. It is gratifying to gain recognition for the principled position we have taken on renewables, never deviating from our 100% renewable electricity tariff and our support of small to medium sized generators. We also undertook some research ourselves and discovered that our customers have cut their electricity usage by 5% against a national average of 2% - a demonstration by our active customer base that we can all make a difference through our actions.

2008 represents more exciting challenges. The UK is lagging way behind the rest of Europe in its renewable generation capacity and I look forward to working at government level on the Renewable Advisory Board to influence action. At Good Energy, we will be announcing a range of initiatives in 2008 which we believe will help our customers continue on their journey towards a low carbon future.

In everything that we do we seek to be open and transparent – this report demonstrates just one of our ways of putting our principles into practice. I hope that this report provides you with an insight into our company and the challenges that a small company such as ours faces as it seeks to initiate change.

Juliet Davenport
Chief Executive, Good Energy

Our Customers

Our customers are our partners - they help to deliver our mission. Together with them, we are working as ‘practical pioneers’ in the transition to a low carbon future.

The seventh consecutive year of growth with customer numbers increasing by 15%.

Indicators '07:
Customer Growth:



“When we moved into our London store, we signed up to Good Energy because they supply 100% renewable electricity, and for us this is a simple way to lower our carbon emissions, which is key to tackling climate change.”

Ade from howies, business customer



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Our Ambition: We want everyone to join us in the transition to a low carbon future - starting today.

2007 was a year of continued growth, with the customer base increasing by 15%. By the end of 2007 Good Energy had 23,770 customers; the majority of our customers are domestic customers with businesses representing about 7% of the total.

During 2007, our customers have reduced their personal carbon emissions by 47,000 tonnes.

Good Energy is our customers – through them we have successfully continued to grow for seven consecutive years. Since Good Energy began in 1999, the reduction in personal CO₂ emissions totals 239,000 tonnes – this is about the same as 1,195 return trips to the moon in an average medium sized petrol car*.

Communication with our customers is key to our business. We want to have real relationships with our customers – to speak in person on the phone, to inspire them via our newsletters and to meet them in person at our events. Through engaging with our customers we learn when we have done things right and where we need to improve, and we hear about ideas for the future. We respect our customers. In 2007, we held our third annual Wind Fair, a free event to celebrate renewable energy and green lifestyles. The inaugural showing of our new films on micro-generation was made at the Wind Fair; the films can now be seen on our website.

Good Energy has always believed in giving our customers the opportunity to participate in the success of the company. We have held two share offers and in 2007 we held our third share offer, which raised funds for the repowering of the Delabole Wind Farm and also the development of the business. We now have over 1,700 shareholders, most of whom are our customers.

One of our principle values that govern our business is to be customer-centred. We base what we do on our customers' needs. So in late 2007, we commissioned some market research to gain further insight into our customers – their behaviours and attitudes and what they expect from us as a company. With this in mind, we have been developing some great new ideas in 2007, to be launched in 2008, to help our customers on the journey to a low carbon future. Expect to hear more in 2008.

* Emissions factors referenced from: <http://www.defra.gov.uk/environment/business/envrpf/pdf/conversion-factors.pdf> and average distance to the moon taken from www.bbc.co.uk.

2007 Challenges

- ✔ To reduce at least 44,000 tonnes of emissions of CO₂ – equivalent to 22,000 customers
- ✔ To hold the Wind Fair for the third consecutive year
- ✔ To have no complaints upheld by the Advertising Standards Agency

2008 Targets

- To achieve 27,000 customers by year end, resulting in a reduction of 54,000 tonnes of CO₂
- To offer customers' online paperless billing

Our Product

All of the energy that we supply has been carefully sourced to strict environmental criteria.

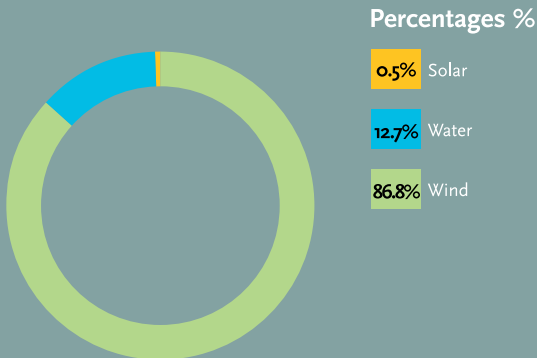
“For those consumers who want a green electricity supply, pure and simple, this is probably the closest they will get to it.”

National Consumer Council 2007

Indicators '07:
100% Fuel Mix



Sources of Good Energy's renewable electricity



Our Ambition: To be the UK's most trusted and respected market leader in low carbon energy products and services.

Good Energy supplies 100% renewable electricity. We guarantee that for every unit of electricity used by our customers via the national grid, we will put a corresponding unit of renewable electricity back into the grid. To ensure that we are meeting this commitment, we publish an annual verification report, independently audited by Smith & Williamson. It states, "During the period 1 April 2006 – 31 March 2007, Good Energy complied with its obligation to match sales to its customers with purely 100% renewable generation ..." The full verification report can be found on page 19.

All of our electricity has been generated from natural sources – from the wind, sun and running water. By contrast, every other electricity supplier relies on electricity generated using fossil fuels and nuclear power. The good news for Good Energy is that we remain the only supplier to show a 100% renewable fuel mix – see for yourself at www.electricityinfo.org.uk.

Our electricity is generated by small to medium sized generators in the UK. The majority of our electricity comes from wind generators (86.8%) with running water (12.7%) and solar generation (0.5%) making up the difference. All of the electricity that we use is purchased to strict environmental criteria to ensure that environmental issues have been addressed within the development and maintenance of the renewable generation project. In 2007, we agreed in principle to purchase renewable electricity from our first biomass project in an agreement with the Centre for Alternative Technology in Wales. Our environmental purchasing policy, including our sustainable biomass policy, can be viewed on our website.

During 2007, there has been a growing demand for Energy Service Companies, known as ESCOs, to provide sustainable energy solutions for new developments. In

response, we have been working in partnership with a number of leading construction companies and successfully won two contracts for developments in Brighton and Middlesbrough.

Aware of the considerable confusion in the market place around 'green electricity tariffs', we have been working for several years to encourage greater transparency in the market place so that consumers understand the difference between the available tariffs. In 2006, we commissioned the Environmental Change Institute at Oxford University to review the green electricity market; their report makes a strong case for an accreditation scheme. In 2007, the National Consumer Council published their own report highlighting customer confusion around green electricity tariffs. During 2006 and 2007, we have been actively participating in the consultation process for the development of Ofgem's 'Green Supply Guidelines' which we hope will bring greater consumer confidence.

2007 Challenges

- ✓ To continue to lobby for the introduction of a renewable electricity accreditation scheme
- ✓ To purchase renewable electricity from biomass, in line with procurement policy

2008 Targets

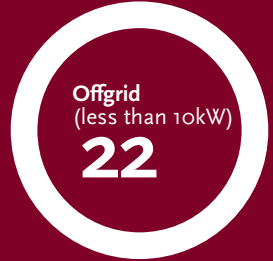
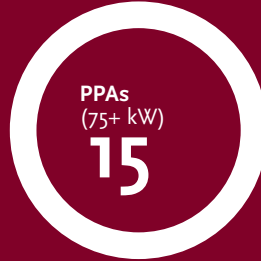
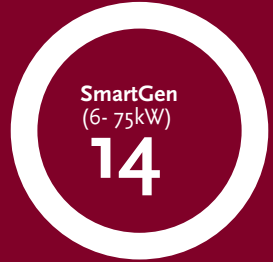
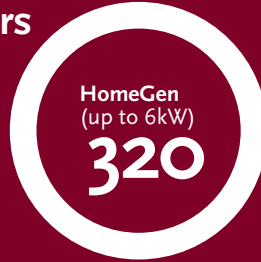
- To continue our lobbying work for the introduction of a renewable electricity accreditation scheme
- To provide energy efficient products for the home
- To investigate the feasibility of offering a "carbon counted" gas product with a renewable heat fund

Our Generation

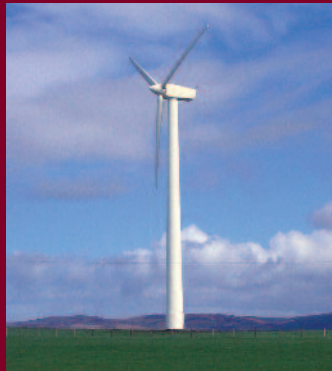
Supporting small to medium sized generators is what we care about.

Growth of 15% in our generation schemes in 2008.

Indicators '07: Generation Schemes



“Our three wind turbines generate electricity and an income for the community and they help to protect one of the island’s greatest assets – our environment. Gigha’s community is small but we are making a difference. If every community acts on climate change then we can solve it.”



Willie McSporrán , Chairman, Isle of Gigha Heritage Trust

Our Ambition: To create long lasting partnerships with small to medium sized generators – relationships that are based on fair payment terms and a shared commitment to best ethical practice.

Good Energy is recognised as the leading provider of support to small and medium sized renewable generators. We have more small generators than any other supplier in the UK because we believe that decentralised generation, creating energy in the home and the community, provide a more efficient solution than reliance on the national grid. The government itself has stated that by 2050, 40% of the UK's electricity needs could come from microgeneration schemes (DTI, 2005) and we want to help this become a reality.

During 2007, the number of generation schemes that we directly support grew from 264 to 371. We are disappointed that there has not been a greater uptake of the home generation scheme – we believe this reflects the fact that the government grants that are available via the Low Carbon Buildings Programme were inadequate. To help boost support for home generators, we doubled the payments from 4.5p to 9p for every unit generated from October 2007. We hope that this had some influence in the government's decision to announce a doubling in the financial incentive scheme for small, renewable generators from 2009.

We prefer to purchase our electricity directly from generators – we can ensure that the generators meet our own environmental requirements and develop positive working relationships with them. Of the 371 generators, over 85% are home generators. At present, our direct generators account for 16% of our electricity requirements and the rest of our renewable electricity needs are purchased via brokers and auctions. The company has made a commitment to increase the proportion of renewable electricity that we purchase directly from generators over the coming years.

The Delabole Windfarm, the UK's first commercial wind farm, is owned by Good

Energy. The turbines are now reaching the end of their lives and our aim is to replace them with larger and more powerful turbines. In August, a public consultation was undertaken at Delabole to obtain feedback on two possible options – the overwhelming response was in favour of larger but fewer turbines on the site. Further to the consultation, additional studies were undertaken before submission of the full application to the local planning authorities in early 2008.

In 2007, we created a new section of our website to provide more information on generation (www.good-energy/gyo_intro). It incorporates details about the schemes we offer as well as case-studies on different types of generation from around the country. We also had some films made on the typical issues around planning, grants and installations faced by individuals setting up generation schemes in the home, business and community.

2007 Challenges

- ✘ To bring the total number of home generators to 400
- ✘ To bring the total number of smart generators to 20
- ✔ To improve the information about generation on our website

2008 Targets

- To bring the total number of home generators to 450
- To bring the total number of smart generators to 20
- To increase the % of electricity we buy directly through contracts to 25%
- To achieve planning permission to repower the Delabole Wind Farm

Our Staff

During 2007, Good Energy grew from 32 to 50 staff by the end of the year – an increase of almost 30%.



Good Energy[○]

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Our Ambition: To provide a challenging and exciting place to work, where respect and fairness are maintained at all times.

Good Energy is a dynamic company, driven to make a difference and succeed in a competitive market place. The success of the company can be attributed to the hard work of all members of the Good Energy team. Maintaining the company culture in an organisation that has quadrupled in size over the period of two years presents some challenges. However it is this very culture that has ensured that the company has remained true to its values through this period of growth.

The company supports a culture of transparency, in which all staff are encouraged to be entirely open, honest and inclusive. Inherent in the culture of the organisation is the belief that work should be a positive experience – every individual is set challenging objectives, supported by training plans to enable their growth and development. The low staff turnover that exists at Good Energy clearly demonstrates the success of this approach.

During 2007, the company introduced a number of new benefits to support staff to lead ethical lifestyles at work and at home. Sustainable transport has always played a central role at Good Energy where a transport policy has been in place for many years as well as an interest free rail season ticket. To encourage staff to cycle, both to work and also in their free time, a bicycle purchase scheme was introduced which allows staff to pay the capital cost of a new bicycle in instalments over a 12 month period in a tax-efficient way. In addition, a one-off reward was given to staff who actively avoided using a car to travel to work.

The benefits of happy and healthy staff are huge. To support a healthy workforce, a subsidised gym membership scheme was negotiated in 2007 and formally launched at the beginning of 2008. Almost half of the office have participated and are actively involved in programmes to increase their fitness levels. Additionally, a trial of a weekly 'brain box' of organic fruit from Abel & Cole was undertaken to support healthy eating. This proved so successful that it has been maintained and has become a mid-week highlight of office life.

And finally in 2007, the company launched a scheme to subsidise its own 100% renewable electricity amongst staff. We know that our staff, along with our customers, are our best advocates so it is important that they are using Good Energy at home. With this in mind, all staff were given a credit of £100 to their Good Energy accounts.

In addition to this raft of benefits that were introduced to staff in 2007, we recognise that we still need to formalise best practice with a comprehensive set of policies and review structure. This is our challenge for 2008 – to review existing staff policies, to identify where new ones are required and finally to undertake a staff review to assess whether our existing policies and procedures are meeting the needs of staff.

2007 Challenges

- ✘ Overhaul the company manual
- ✘ Formalise strategies on 'corporate responsibility' and 'health and fitness' of employees
- ✘ Create a travel plan to address issues surrounding staff travel to work

2008 Targets

- Overhaul the company manual to provide an improved source of information to new employees
- Introduce guidelines for managers on induction training, including the requirement for all new staff to spend time in the Customer Care Department as part of their induction programme
- Ensure energy efficiency, waste management and sustainability responsibilities are incorporated into all job descriptions
- Review existing staff policies and formalise new ones where required
- Undertake a staff survey to assess staff satisfaction

Our Environment

Good Energy occupies multiple tenancy offices close to the bus and train station in the heart of Chippenham.

Tonnes of Co2 per staff member from transport on work related business:



Kgs of paper per staff member recycled:



Kgs of cardboard per staff member:



Good Energy^o

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Our Ambition: To minimize our environmental impacts at all times through our own operations and those of our suppliers

As an organization that is committed to providing solutions to climate change, we seek to minimise our environmental impact at all times – walking the talk is what it is all about.

Good Energy occupies shared lease premises in the centre of Chippenham. Whilst these offices offer excellent transport communications with direct trains to London, Birstol and Exeter near by, they do provide significant challenges to our sustainability agenda. The offices were built in the 1980s with no thought for energy efficiency. Therefore 2007 has been a year to see what we could achieve within the constraints of the building.

The first activity we undertook was to commission an eco-audit of our offices to help us on our way. The audit highlighted the need for Good Energy to establish benchmark figures on our consumption of energy and generation of waste – from this we will be able to set targets for improvement. Whilst this sounds like a simple step to take, it has provided its own challenges as there were no metering systems in place to support measuring our own consumption of electricity or gas so we have now put sub metering systems in place so that we can accurately monitor our energy consumption.

In addition, during 2007, we came to an agreement with our neighbours to have the heating on for limited periods. Given that it had been on for 12 months a year before our arrival this has had a significant impact on the whole building. We also installed energy efficient lighting systems throughout our offices and put draft sealants on the windows.

Transport issues have always held an important role in the company. The location

of the offices has been intentionally chosen to provide easy access to public transport for business and commuting purposes. We have had a policy on transport use by staff in place for many years. We only attend meetings that we believe will grow the renewable market and where meetings are necessary we have clear guidelines on when car travel is acceptable. A carbon calculator is used by staff when they claim expenses to raise awareness about the impact of their travel. During 2007, business travel to meetings accounted for 0.19 tonnes of CO₂ per employee, a difference of 20% less than in 2006.

Staff are encouraged to walk, cycle or use public transport to get to work. A bicycle rack and shower were installed at the offices soon after our arrival to support cyclists. In 2007 we launched a bike purchase scheme and a discretionary additional bonus for staff that have made an effort to avoid the use of single person car journeys to get to work. In addition, the company provides loans for rail season tickets.

During 2007, we employed a postgraduate student to help us understand the carbon offset market – there has been considerable debate around carbon offsetting and we wanted to understand the implications for Good Energy. As a result of this work, we will bring together a strategy in 2008 towards achieving carbon neutral status. Our first efforts will be to establish the carbon footprint of Good Energy and to put in place a plan to reduce this footprint. We expect to undertake effective offsetting activity, equating to the unavoidable carbon emissions from our energy and transport, through supporting investment in low carbon schemes with a local carbon offset provider.

In addition to taking actions to reduce our energy and transport impacts, we also recognise that we need to demonstrate best practice around waste management. We have always had an office paper and cardboard recycling scheme, although the quantities are not large we estimate that through our office recycling activities we have prevented 650kgs of cardboard and 2 tonnes of paper going to landfill through our office recycling scheme. In 2007, we launched a kitchen recycling scheme for plastics, glass, cans and compost. We also set up a network of Environmental Champions to motivate individuals in every department to take responsibility for energy and waste minimisation.

Good Energy has the opportunity to influence the activities of our suppliers. The renewable electricity we buy is purchased against strict environmental criteria. In addition, we ask all our office suppliers to provide us with details on their environmental policies before we make any purchases. Environmental criteria are used to select all items including energy rating, recycled content and ability to reuse and recycle. We have had this procedure in place for several years but we recognise that we need to review it to ensure that it still represents best practice and that it is being used correctly throughout the company.

Reference for car and train emissions factors:

<http://www.defra.gov.uk/environment/business/envrp/pdf/conversion-factors.pdf>

Reference for flight emissions factors:

<http://www.carbonneutral.com/cncalculators/flightcalculator.asp>

Reference for conversion calculator:

<http://www.digitaldutch.com/unitconverter/>

2007 Challenges

- ✓ Commission an independent eco-audit of the building and operations of the company
- ✗ Create a travel plan to address issues surrounding staff travel to work

2008 Targets

- Monitor key consumption figures on a monthly basis to establish a base line from which targets for improvement can be set in 2009 i.e. gas usage, electricity usage, water usage, paper purchased, waste recycled and general waste generation
- To establish the carbon footprint of the company and investigate options for mitigating the impact through carbon offsetting
- To review our Supplier Ethical Review process and make improvements where required, including the development of a process for contractors
- To create a travel plan to address issues surrounding staff travel to work
- To identify opportunities to increase the insulation of the building
- Investigate the use of video conferencing to reduce travel to meetings

Business Miles



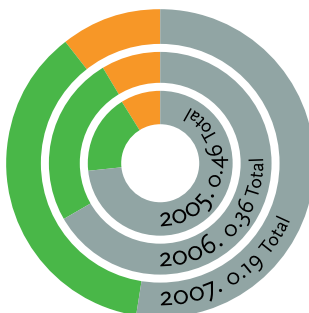
2007	2006	2005	
2,500	2,861	2,500	Plane
30,000	23,352	12,000	Train
12,000	18,427	14,000	Car

Tonnes of CO₂



2007	2006	2005	
0.6	0.73	0.64	Plane
2.9	2.26	1.16	Train
4	6.15	4.68	Car

Tonnes of CO₂ per employee



2007	2006	2005	
0.02	0.03	0.04	Plane
0.07	0.09	0.08	Train
0.1	0.24	0.33	Car

Good Energy's Approach to Business – How We Do It

Our Mission

Good Energy's mission is to provide solutions to Climate Change. We achieve it by providing individual customers with a gateway to safe, sustainable, low carbon living. Our products and services are giving people what they need to reduce their own CO₂ emissions, beginning with their energy use.

Good Energy[○]

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Our Values

These principles govern our business

Ecological and ethical

We do the right thing – for people and for the planet

Transparent

We are entirely open, honest and inclusive

Pro-active

We lead the way and encourage change

Customer-centred

We base what we do on our customers' needs

Our Working Style

In everything we do, we aim to be

Inspirational

We instil courage, hope and the desire to act. We 'think big'

Practical

We make it possible - and easy - to make an immediate, tangible, measurable difference. We 'act small'

Personal

Our customers are our partners; they deliver our mission. Together with them, we are working as 'practical pioneers' in the transition to a low carbon future. And on their behalf, we want everyone to join us in that transition – starting now

Copies of our environmental policies can be found at

www.good-energy.co.uk/the_environment

Verification Report

INDEPENDENT ACCOUNTANTS' REPORT TO THE DIRECTORS OF GOOD ENERGY LIMITED

We have examined the underlying records of Good Energy Limited in accordance with our terms of engagement and scope of work procedures dated 15 November 2004, which the directors have agreed.

Our work was performed solely to provide the directors with a report regarding the Company's commitment to supply customers with power generated from renewable resources. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the directors as a body, for this report, or the opinions we have formed.

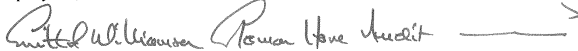
The procedures performed consisted of a review of relevant records and correspondence, analytical procedures and enquiries of management. The results of these procedures indicate that:

1. in the period from 1 April 2006 to 31 March 2007 Good Energy Limited sold 104,166 MWh of electricity to its customers.
2. during the period from 1 April 2006 to 31 March 2007 Good Energy Limited bought renewable energy from recognised green generators of at least 100% of the above value; Good Energy Limited holds Renewable Energy Guarantee of Origin Certificates ("REGO's") and Generator Declarations which identify the renewable source of supply for at least 100% of the above value.
3. for the period from 1 April 2006 to 31 March 2007 Levy Exemption Certificates ("LECs") to the amount of 100% of the electricity sold were held by Good Energy Limited. As these LECs are held no Climate Change Levy is charged indicating that the electricity sold is derived from renewable resources.
4. for the period from 1 April 2005 to 31 March 2006 Good Energy Limited surrendered sufficient renewable obligation certificates (ROC) to meet the Governments target of 5.5% of MWh usage for the period, and held sufficient ROC to retire a further 5.0% of ROC equivalents for that period.

Based on the above procedures, in our opinion during the period 1 April 2006 to 31 March 2007, Good Energy Limited complied with its obligation to match electricity sales to its customers with purely 100% renewable generation and holds Levy Exemption Certificates, Renewable Energy Guarantee of Origin Certificates and Generator Declarations in respect of 100% of these sales, and for the period 1 April 2005 to 31 March 2006 the Company met the Government target of surrendering renewable obligations to 5.5% of the Company's MWh output. The Company retired a further 5.0% of ROC equivalents.

The procedures performed to verify the above statements do not constitute an audit. Should we have carried out any additional procedures, whether audit or review, other matters may have come to light that may have been reported upon.

This report is restricted to the directors of Good Energy Limited based on their agreement of the procedures performed. It also relates only to the above specific statements and does not extend to the Company's financial statements taken as a whole.



SMITH & WILLIAMSON SOLOMON HARE AUDIT LLP
Chartered Accountants
Bristol

6/2/08

Good Energy[○]

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Our Business Customers

Good Energy has 23,770 domestic and business customers. Here is a selection of some of our business customers.

Good Energy^o
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sustrans
JOIN THE MOVEMENT

GREENPEACE



Friends of the Earth



tearfund



Alastair
Sanday's

Abel & Cole

howies[®]

actionaid



Dr.Hauschka
Skin Care


energy saving trust[®]

Jan

National Consumer Report on green electricity market found Good Energy to be 'greenest supplier'

Feb

- IPCC Fourth Report on Climate Change published

Mar

Apr

Environment Report published

May

- Juliet Davenport reaches top 10 of the future 500
- Juliet Davenport invited to join BERR's Renewable Advisory Board

Delabole Repower Public Launch

July

June

Good Energy

2007 at a glance

- Customer base increase of 15% to 23,770
- Good Energy reports most successful year to date
- Seventh year of continuous growth in sales

Dec

Nov

Oct

Sept

- Good Energy doubles home generation payments.
- Bath Life Award to Good Energy
- Good Energy launches third share offer

- Monkton Group rebrand to Good Energy Group
- Two new turbines at Mackies Ice cream go live.

Delabole
Wind
Fair

Aug

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For further information visit
www.good-energy.co.uk

We welcome your feedback on
this report, please contact us at
values@good-energy.co.uk

Printed on 100% post-consumer recycled FSC paper using Good Energy's 100% renewable electricity and vegetable based inks with waterless printing technology. The carbon value of producing this report 0.05g.