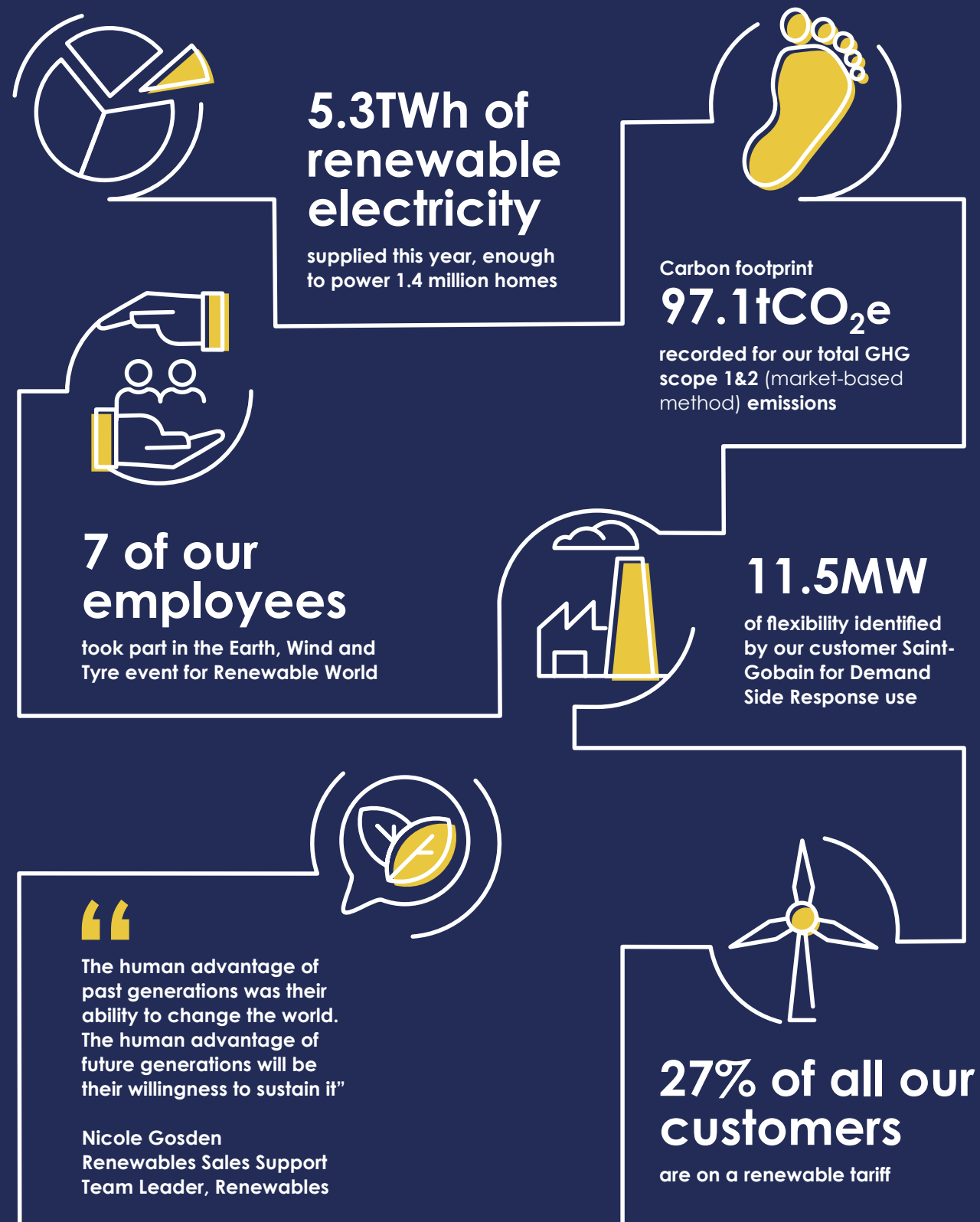




Creating an achievable sustainable future for our customers

**Sustainability Report
2017/18**

Report highlights



Statement from our CEO



The UK energy market is on the cusp of an energy revolution. As a next generation energy company, we are positioning ourselves for a more sustainable future where technologies shape the grid for the better, providing a new level of agility in operation and greater overall flexibility. Already we are seeing a paradigm shift towards a decarbonised and decentralised generation mix, and at SmartestEnergy, we are at the forefront of driving this change.

Putting customers at the heart of what we do

2018 marks 10 years since the launch of our electricity supply business and our non-premium renewable electricity supply offering. Over this 10-year period, we have built SmartestEnergy's supply business around our customers and have continually adapted to meet their evolving needs. With it increasingly important for UK businesses to be seen to use renewable electricity, our fully certified 100% renewable products – with industry leading levels of customer service and insight – have helped our customers meet their environmental and social responsibility goals, whilst realising an electricity supply at the lowest cost. Notably, since 2016, we have issued over 2,500 Energy Labels to our customers to help verify their use of our renewable electricity.

Leading the way in flexibility services

Along with more renewable generation, has come the need for more flexibility in the system to better manage intermittency. This year we launched a new service for customers, our 'Managed Flexibility' service, which enables our customers to take advantage of the new opportunities opening up to them in the increasingly important flexibility markets. With our involvement in over 700 renewables projects across the UK, and as the UK's largest buyer of renewable power from this growing distribution-connected customer base, our Managed Flexibility platform now allows us to manage these generation assets in the increasingly important balancing services markets.

Ensuring wider community support

Creating long-lasting positive impacts for our customers, and the wider community, is something that we are very passionate about. In the 2017/18 period, our employees selected six charities to raise funds for and support. In addition, our annual Corporate Sponsorship aims to support a charity that is cultivating the sustainable future that we believe in. This year, we pledged support of Practical Action, which enables communities to build on their skills and knowledge to produce sustainable and practical solutions – transforming their lives forever and protecting the world around them.

Tracking and reporting our own sustainability performance

It is very important that we measure and report our sustainability performance on an annual basis by calculating our carbon footprint through the Carbon Trust. This is our second annual sustainability report, which aims to highlight progress and achievements throughout the year. It also creates a very powerful benchmark to enable us to track and report our own progress towards a low carbon future.

Robert Groves
CEO



Where does our renewable electricity come from?

We are consistently setting the benchmark for renewable electricity, by publishing not just our basic mandated fuel mix, but also a detailed overview of each of our products. For the 2017/18 period, we supplied our customers with 5.3TWh of renewable electricity, which is enough to power 1.4 million homes¹.

Our two renewable products are 100% renewable and are certified by the Carbon Trust. We are still the only supplier to provide this certainty to our customers, which goes way beyond compliance. In 2018, we provided over 1,000 Energy Labels to our customers that are registered for these

products, to enable them to accurately report on their carbon emissions. On top of this, our total fuel mix was mostly renewable as well, with 70% of our total fuel mix coming from renewable sources this year. More than twice the UK renewable grid average for 2017/18 (29%)².

Compared to last year, we have increased our wind supply by over 18%, as well as recording increases in hydropower. We are the leading aggregator of independent renewable generation working with over 700 generation sites across the UK.

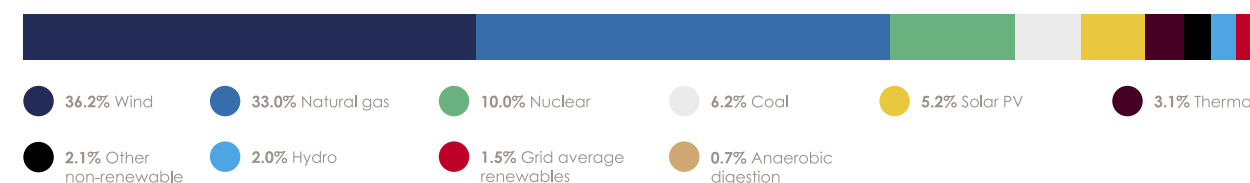
Natural Renewable Fuel Mix



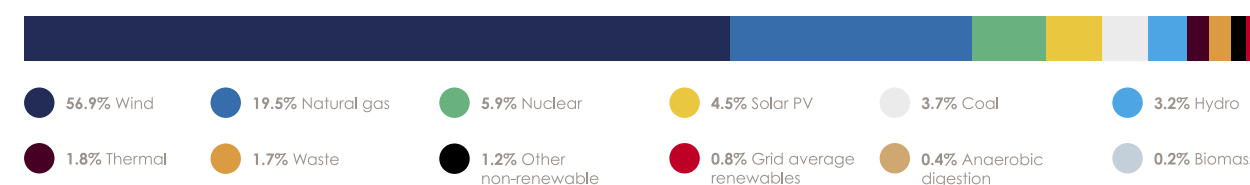
Standard Renewable Fuel Mix



Conventional Fuel Mix



SEL Overall Fuel Mix

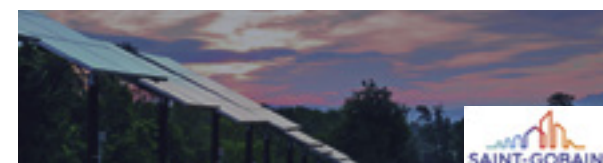


¹ Ofgem TDCV: <https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/typical-domestic-consumption-values>

² Department for Business, Energy and Industrial Strategy, Fuel Mix Disclosure Data Table 2018: <https://www.gov.uk/government/collections/fuel-mix-disclosure-data-tables>



A look at what our customers' firsts have been this year



Scaling up Demand Side Response

Saint-Gobain is one of the top industrial groups in the world. In recent years, their success with Triad management has delivered results and demonstrated to key internal stakeholders, the benefits of actively managing energy.

"We take our corporate responsibility as a large energy user very seriously... Production is king in our sector and we have to meet customer requirements no matter the cost of electricity, so our DSR activities had to focus on the auxiliary services. But even with this conservative approach we've been able to identify 11.5MW of flexibility across six sites."

Linda Burgess

UK Energy Purchasing Manager, Saint Gobain



First Contracts for Difference PPA

The five turbine 10MW capacity onshore wind project is located 17 miles from John O'Groats in the North of Scotland. It secured support through the UK Government's Contract for Difference subsidy scheme and will be commissioned in January 2019.

"SmartestEnergy offered us very competitive commercial terms but we were also impressed by the way the team helped smooth the way to help us achieve financial close. You have to work to fairly tight timelines to get everything in place to finalise these agreements and the SmartestEnergy team was on hand throughout the process."

Thomas Chappell

Director, Whirlwind Renewables



First near year-round run of river

Gilkes Energy is a leading hydro development company in the UK, which has been operating for over 160 years. They currently have 17 hydro schemes across Scotland amounting to 24MW.

"The majority of our portfolio is with SmartestEnergy, as we believe SmartestEnergy provide us with not only the most value for money but excellent customer service. Our latest site – Pattack Hydro Scheme – is our biggest yet at 5MW. Although this hydro scheme is classed as 'run of river', it will generate throughout most of the year, due to the large area of the Pattack River where the scheme draws its water."

Carl Crompton

Director, Gilkes Energy



Innovative new renewable portfolio

NUS Consulting Group Ltd. have launched NUS Optimal Green, a portfolio that provides their customers with renewable electricity certified by the Carbon Trust.

"We went through an exhaustive tender process with a range of suppliers over several months to select the next framework provider for our leading risk managed portfolio, NUS Optimal. SmartestEnergy's winning proposal contained enhancements providing real value to our clients including 100% renewables backing and greater clarity in billing while preserving all of the existing benefits."

Richard Clare

General Manager, NUS Consulting



Tracking and reporting our own sustainability performance

Our focus has always been on putting our customers at the heart of what we do to ensure they achieve their sustainability goals. We also want to minimise our impact on the environment, which is why we keep track of our carbon footprint and look for ways to continually improve.

SmartestEnergy is an asset light company, so our carbon footprint is associated with our emissions that arise solely from our office activities. Our footprint this year has been measured across our two main offices based in London and Ipswich using the market-based method. Next year we are looking to expand our reporting scope to measure additional emissions related activities (e.g. staff transport).

The market-based method used within this report to evaluate our carbon footprint, enables us to report emissions that relate to the electricity we have procured (unlike the location-based method that would only calculate our footprint using the emissions associated with the UK grid mix).

Our offices

As our offices are the source of our carbon emissions, it is essential we choose sustainable

innovative buildings that help us achieve the goal of minimising our impact on the environment. Dashwood House is our main office located in London. This office has a sustainability focus with solar panels on the roof, rainwater harvesting and a high-performance coating on the external glass to control heat and light levels.

Grafton House is located in Ipswich and is where our Industrial and Commercial supply department is based. The Grafton House office has achieved 'very good' status under the Building Research Establishment Environmental Assessment Method (BREEAM) standards. Sustainability was considered at the design stage of Grafton House and as a result natural ventilation with a maximum floor depth and South facing windows to capture natural light were implemented, reducing the building's energy usage.



We also have a small Glasgow office, which is mostly used by our Renewables department. The Glasgow office features daylight and movement sensitive lighting, LEDs and a variable refrigerant flow (VRF) air conditioning system to assist in minimising energy consumption. We excluded this office from our footprint reporting this year due to the minimal staff numbers occupying the office during the reporting period.

Green initiatives

We believe it is important to focus on our impact on the environment and look for ways to reduce our footprint further, beyond efforts to improve energy efficiency. We have created a number of green initiatives this year across our business. For example, waste paper is a problem for many offices. Our IT department came up with a solution to this problem, by rolling-out 'follow me printing'. The new system requires all staff to login to print, which has significantly reduced the number of print jobs completed.

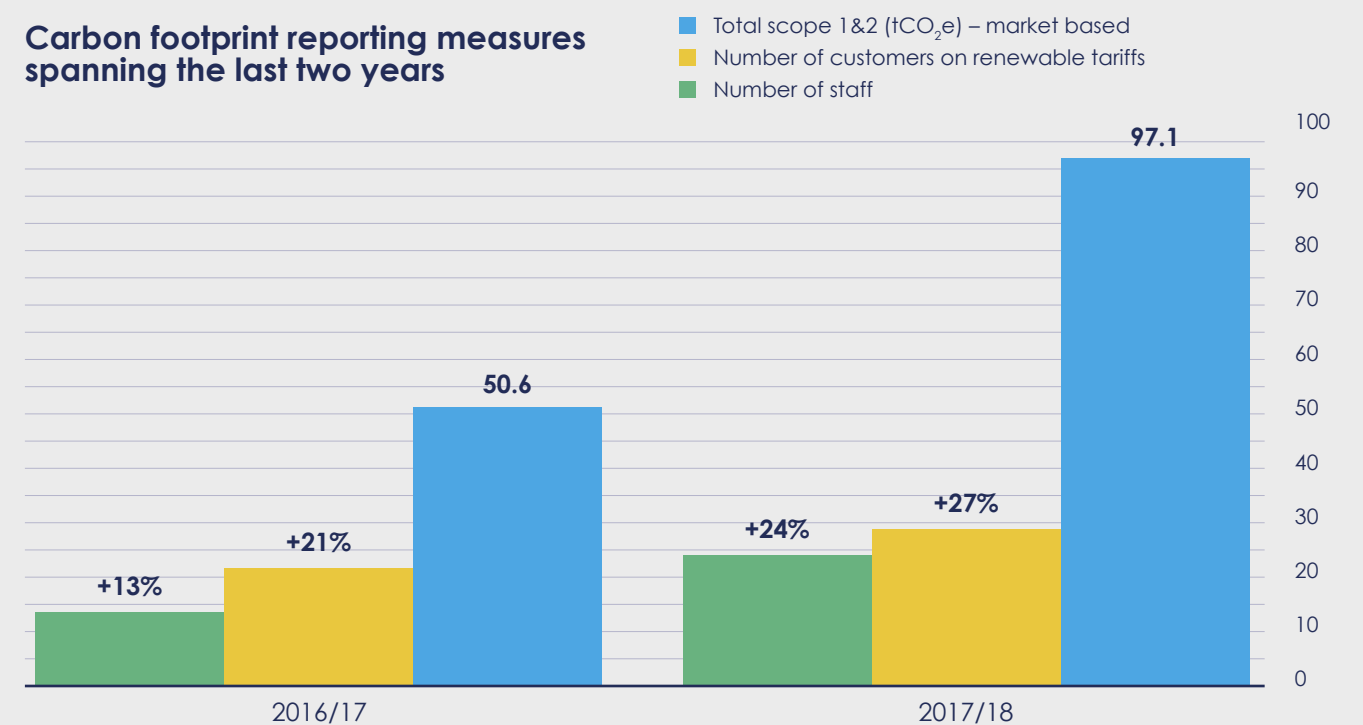
In addition, all staff are encouraged to 'switch off' and maintain a clear desk policy at the end of the day. Once a year we run 'Green Week' to remind staff about the importance of turning off their electronic equipment and provide useful tips and activities to engage staff more broadly about sustainability topics.

Recycling is available in all our offices for paper, cardboard, batteries and food. We also promote employees using public transport to get to and from work by offering season ticket loans with no interest.

Our carbon footprint

Our London office is supplied with 100% renewable electricity backed with Renewable Energy Guarantee of Origin (REGO certificates). The footprint is therefore compiled of scope 2 emissions from electricity consumed in the Ipswich office and scope 1 emissions from the consumption of natural gas and diesel, as well as refrigerant usage in our managed offices. We hope to be able to measure waste, water and transport, however as we are mainly office based these emissions will be much lower than the average energy aggregator. We have increased our carbon footprint this year as you can see from the below table. This is because the building we rent our Grafton office space from – Ipswich Council has chosen a non-renewable tariff during the reporting year compared to last year when they choose a renewable tariff. This is why it is vital we measure our carbon footprint, as it highlights areas that we need to work on. As a result of these findings we have set ourselves a target to compete in the next tender for supplying Grafton House with our own renewable electricity, just like we do for Dashwood House.

Carbon footprint reporting measures spanning the last two years





Investing in customers, employees and communities

We endeavour to create lasting positive impacts across all aspects of our business. That is why we put our customers, employees and the wider community at the heart of our business activities and engage all stakeholders in our efforts to support people and communities through charitable fundraising events throughout the year.



Improving customer experience

As our business keeps growing, the energy system is shifting and our customers' needs are changing, we are investing time and effort in understanding what matters most to our customers so we can act upon and improve the experience we deliver to them.



Investors in People

Investors in People (IIP) is the UK's leading organisation for business improvement through people management. We are very proud to have achieved gold status until 2018, a standard which only 7% of firms involved in the scheme attain. To achieve gold, we demonstrated that our Company and our people are going above and beyond to ensure our organisation succeeds.

Corporate Social Responsibility Strategy

As we are a wholly-owned subsidiary of the Marubeni Corporation, SmartestEnergy shares our parent company's commitment to corporate social responsibility. We also follow the UK best practice and a focus on four key areas: Governance, Ethical Business Practices, Health and Safety and Being a Good Employer, which are all crucial to achieving the best standards possible.



Photo by Avelo Images



Charity work

We select a charity to sponsor each year that aligns with our vision of a sustainable future. In 2017/18 we sponsored Practical Action with a corporate donation of £5000 and our staff are also able to personally donate each year too. Practical Action enable poor communities to build on their skills and knowledge to produce sustainable and practical solutions - transforming their lives forever and protecting the world around them.

Our biggest staff charity event was the Earth, Wind and Tyre. Seven of our staff participated this year and completed a gruelling two-day cycle ride covering 216 miles, with an ascent of almost 14,000ft. The main aim was to raise money for Renewable World, which we have worked closely with for a number of years. Renewable World's main purpose is to tackle poverty by providing communities with access to a clean and sustainable source of energy. Our team of seven exceeded their target and raised almost £4,000.

We support a number of our staff throughout the year that are passionate about raising money for charity. This year we had a number of events, such as an afternoon tea raising over £800 for Breast Cancer Care, and several fun runs raising funds for Parkinson's UK and Cancer Research UK.

Business in the Community

SmartestEnergy are proud to be members of Business in the Community. Business in the Community is the Prince's Responsible Business Network and members work together to tackle a wide range of issues that are essential to building a fairer society and a more sustainable future. They engage thousands of businesses through programmes driven by their core membership of over 800 organisations from small enterprises to global corporations. They offer a number of practical ways for businesses to work together and take action to help tackle some of the key issues facing society.



Photo by Avelo Images



What does sustainability mean to us?

Sustainability is core to our business activities, and important to us as we continue to grow our operations. We are expanding both our offices in London and Ipswich, and as a result want these locations to grow sustainably, in every way possible. At these new office locations, we are putting in place recycling facilities and will be incorporating these new areas in our carbon footprinting reporting next year. Our internal corporate social responsibility activities also centre around sustainability, with the company holding an annual 'Green Week' to promote all facets of sustainability with employees.

Externally, we continue to support key sustainability discussions and action across the UK by continuing our longstanding sponsorship of the Sustainability Leaders Group run by edie Energy. Meanwhile, our external engagement activities promote the sustainability agenda more broadly, engaging energy managers and sustainability managers in forward-thinking and strategic dialogue.



Marubeni Group

Marubeni's approach to sustainability

Aligning our sustainability approach with Marubeni, the owner and investor in SmartestEnergy, is key to us. The Marubeni Group is committed to social and economic development, and safeguarding the global environment, by conducting business fairly and sustainably. It's Sustainability Management Committee ensures that the Group's companies, such as SmartestEnergy, act in accordance with policies and participate in related review processes to focus on continual improvement.

A key announcement was made this year related to Marubeni's approach to energy on a global scale. The Group has made a pledge to halve its net coal power generating capacity of approximately 3 gigawatts (GW) by 2030 to help tackle global climate change and cut greenhouse gas emissions.



Employee perspectives

Internally, we want to start a dialogue and the first step is to get our staff to start thinking about what sustainability means to them personally. We aim to collate these ideas firstly for our report but also because we would like to use them as a springboard to start an internal Sustainability Group in 2019.



Sustainability is not a 'tick in the box' exercise or an award to be collected but an ongoing process that requires constant and balanced attention. Decisions made around sustainability can be complex but I believe the journey to creating a culture driven on the concept of sustainability involves understanding the cause of things, realisation of the impact our decisions, policies and actions would have, not just within SmartestEnergy but around the globe as well"

Chi Obichie

Project Manager
IT & Change



I see it as the ability to provide a service or services, energy in our case, from resources that, in simple terms, won't run out. So, they need to be cost effective otherwise the money runs out, scalable to meet demand and have little to no detrimental impact on the future of those requiring the services. E.g. Environmental impact. Otherwise future generations won't benefit from it and could end up in a worse situation than we are now"

Paula Richards

Service Delivery Manager
IT



Sustainability means taking responsibility for doing the right thing. It is showing leadership through your actions"

Simon White

Regulation Analyst
Regulatory Affairs



Sustainability to me means a fair deal with the customer where SmartestEnergy can return a fair profit and the customer can receive the most competitive fair prices. More widely, I think it means using resources in a reasonable way to ensure our needs are met whilst ensuring the generations that follow can also use the resource in a reasonable way"

Joshua Waterworth

Trader
Trading



Broadly, I think sustainability means the practice of being more environmentally conscious and responsible in day-to-day business activities, a huge part of which is energy consumption. This is at a global and grid level, affecting our community, country, environment and planet"

Rob Haddow

Account Manager
Industrial &
Commercial Supply



The human advantage of past generations was their ability to change the world. The human advantage of future generations will be their willingness to sustain it"

Nicole Gosden

Renewables Sales Support
Team Leader
Renewables

About us

SmartestEnergy is a next generation energy company. We work with a network of independent energy entrepreneurs who are building a cleaner, more decentralised and resilient energy system in the UK. Established in 2001, we have been on the journey alongside generators and are always innovating to find new commercial opportunities in the changing energy landscape. Our 3.3GW portfolio consists of over 700 projects across the UK, from specialist developers and blue-chip companies to farmers,

landowners and communities. We work with generators across all technologies and are backed by the financial strength of the Marubeni Corporation. As well as being the UK's leading purchaser of independent generation, we are also a renewable electricity supplier and provider of demand response services to UK businesses. This experience across the energy landscape, and our longstanding success in the renewables sector, makes us the trusted partner of independent generators.

Contact us

Our leadership team would be happy to discuss our sustainability approach with you or address any related enquiries you may have, so please get in touch:

📞 020 7448 0900

✉️ marketing@smartestenergy.com

🌐 [linkedin.com/company/smartestenergy](https://www.linkedin.com/company/smartestenergy)

🐦 @SmartestEnergy

www.smartestenergy.com

Published November 2018



2018 Earth, Wind and Tyre fundraising event; seven SmartestEnergy employees participated, raising almost £4000 for Renewable World. Photo by Avelo Images.

