

EDF Energy Sustainability Performance Report 2007



**Welcome to our Sustainability
Performance Report for 2007 – an
overview of our progress towards
sustainability and our environmental,
social and economic performance
last year.**



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To make EDF Energy a successful and sustainable business, we must bring affordable, low-carbon energy to our customers through reliable adaptable distribution networks and help them use it more efficiently. We must ensure the safety of our employees and our local communities.

“I believe there’s a place for a company that is optimistic about the future. It’s about progress, making sure that you do a little more each time, and that you’re doing it thoughtfully and with respect for people.”

Eva Eisenschimmel, Chief Operating Officer, Customers Branch

The end of 2007 marked an important milestone for EDF Energy. Back in 2003 we set ourselves five ambitions, each linked to clear targets to be achieved by 2007. In this report, we describe how we have performed against these ambitions – where they have been met and where further work remains to be done.

Sustainability has been central to this first set of ambitions, as indeed it is in our new cycle of ambitions that will take us from 2008 to 2012. For this reason, we have structured this report round the three fundamental building blocks of sustainability – environmental, economic and social performance. We hope this will make it more straightforward for our stakeholders to follow what we have done and, most importantly, what we are now committing to do. It is right that sustainability, which lies at the heart of our business, is also at the heart of this report.

What sustainability means for EDF Energy

For us, sustainability means doing business in a way that delivers not just economic profitability but environmental performance and social well-being. Only when all three elements are in balance is the business truly sustainable. For EDF Energy, as we invest in the future energy infrastructure, products and services that the UK urgently needs, there can be no more important driver guiding everything we do.

Safety

Sustainability is a priority for us, but safety was uppermost in our minds at the turn of the year and will always remain so. Our performance in 2007 was overshadowed by the deaths of three of our employees whilst doing their jobs for the company. My Executive team and I were devastated by these fatalities, which occurred in spite of all our efforts to ensure that the correct policies and procedures are always in place. These tragic deaths have mobilised the entire company into re-prioritising safe working for our staff, our contractors, our customers and for the

public at large. We believe that all harm is preventable and our objective is clear: to achieve Zero Harm.

Our Climate Commitments

In June 2007 we launched Our Climate Commitments which I believe to be the most significant package of environmental initiatives adopted by any major UK energy company to date. I'm determined to take a lead in combating climate change and have already taken significant steps along the journey. Through investment in a diverse range of generating sources including renewables and new nuclear power, we aim to reduce the carbon intensity of our electricity generation activities by 60% by 2020.

As a member of the newly-formed Energy Technologies Institute, we are pleased to work with other private and public sector organisations and the UK Government to accelerate the development of reliable and cost-effective low-carbon energy technologies.

Our investment in smart metering and electric vehicle recharging bays together with a range of other micro-generation products are recent examples of emerging technologies which will help our customers cut their energy-related carbon footprints in addition to more conventional measures such as loft and cavity wall insulation.

Our financial performance

Our financial performance plays a crucial part in our ability to deliver a sustainable business. Overall, our financial performance in 2007 stood up well against tough conditions including volatile gas and electricity wholesale prices, unseasonable weather and a fiercely competitive market. Our sales totalled £5,744million representing organic growth of 1.2% compared to 2006 and the plan that we put in place at the start of the year ensured that we kept our operating expenditure on track. Profitability, as represented by EBITDA, was £883 million for the year; representing organic growth of 2.1%. This financial stability will be vital over the next five years as we make significant investments in the business, with the full support of our parent company. These investments will enable us to improve our competitiveness, which will in turn drive further profitable growth

Our Social Commitments

We are building on our sustainability performance with the launch in 2008 of Our Social Commitments, a set of pledges focusing on safety, energy affordability, security of supply, employee development and community investment. We believe that, combined with Our Climate Commitments, these represent an ambitious response to all the major challenges facing our industry.

We have many existing strengths to build on in this area. For example, regarding the cost of energy we understand the impact of rising prices on our customers and will do our utmost to remain competitive, and at the same time we will continue to help our most vulnerable customers. We were gratified during 2007 to be recognised by the industry regulator Ofgem – for the second year running – as a company which does its utmost to support vulnerable customers when electricity supplies are lost.

Engaging with our stakeholders

We have taken steps in the last 12 months to increase our stakeholder engagement as part of our commitment to ensuring we have the widest possible interaction with all our stakeholders. We are determined to listen to what our stakeholders have to say and, where necessary, to expand on the commitments we have made to take our stakeholder views into account. This report is a case in point. It is informed by our stakeholders and will be assessed by our stakeholders. Their feedback – your feedback – is welcome, as we raise our game to prepare for the challenges of 2008, the year which heralds the arrival of a new era for the UK as the Government sets out new important legislation on climate change, energy policy and planning.

At EDF Energy, we are determined to play our part in building a low-carbon future for our customers and for Great Britain.



Vincent de Rivaz
Chief Executive

EDF Energy has stated its mission clearly and succinctly: we aim ‘to bring sustainable energy solutions home to everyone’.

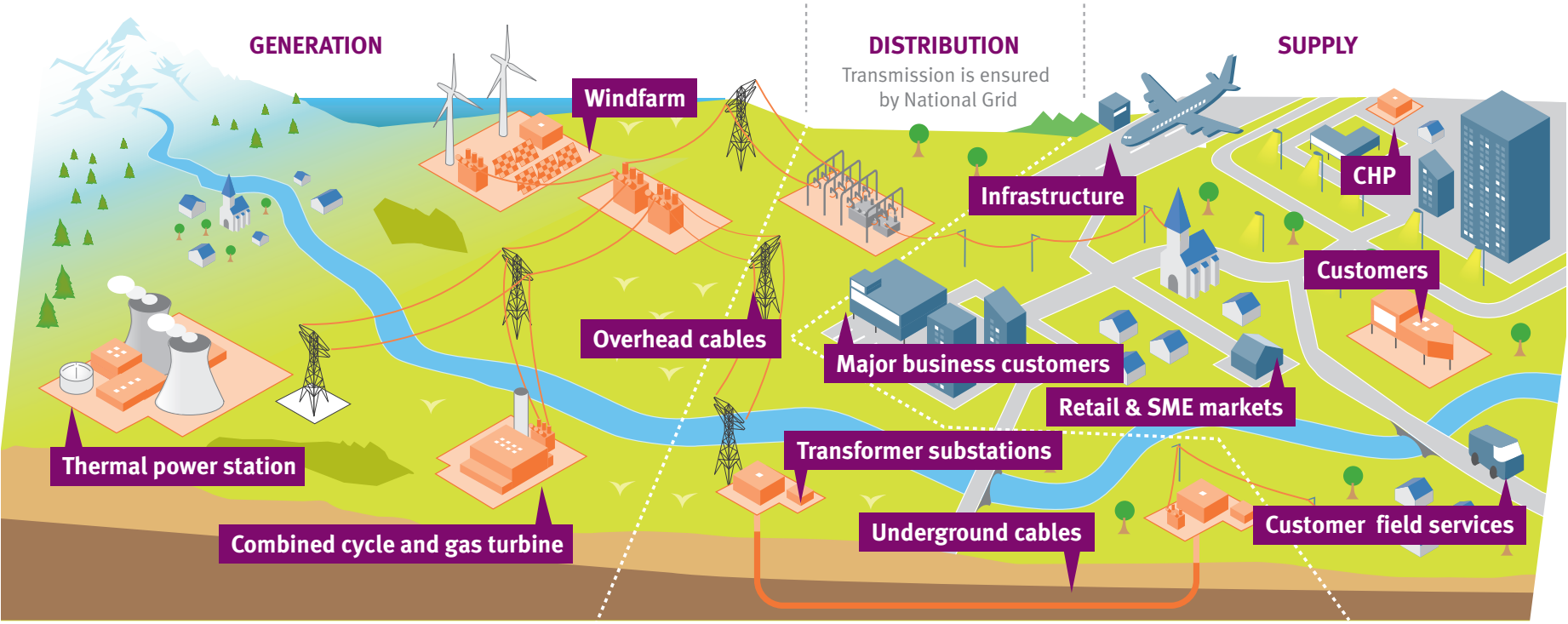
Our mission gives us a clear sense of purpose: we work to bring economic, social and environmental sustainability solutions to our customers and employees. We want people to know that we’ll deliver Our Climate Commitments and Our Social Commitments; and also help our customers to become more sustainable.

The Ambitions we’ve set ourselves will also help us to focus on our main priorities. Safety must be and will remain the top priority as we aim to achieve Zero Harm.

Our sustainability agenda sets out our future – and it’s also the soul of our business. We aim to lead our sector as the sustainable energy provider of choice.



Launch of our London 2012 sustainability partnership



Our corporate governance framework is fundamental to everything we do. It ensures that we operate safely, efficiently and effectively, comply with all relevant legal and regulatory conditions and report accurately on our performance.

Our Board of Directors' primary objective is to ensure that we deliver energy services safely and profitably, preserving and enhancing our investments for shareholders and other stakeholders. To enable this, they have put in place our Corporate Governance Policy.

We operate in a dynamic environment, adjusting our business objectives accordingly. Robust and effective corporate governance is needed to ensure that the objectives we set are appropriate, and that the risks associated with them are efficiently and economically managed.

How corporate governance works in EDF Energy

Our Board is responsible for providing effective corporate governance policies and ultimately accountable for every decision we make. The Board delegates the authority to make decisions to our Executive Committee, led by our Chief Executive (who reports directly to the Board) and our wider management team.

Acting on the Board's behalf, the Executive Committee ensures that our corporate governance policies and all other systems of internal control and risk management are implemented correctly (see "Corporate governance processes").

How we manage risk

Our Corporate Risk Assurance Policy sets out our risk management objectives, defines roles and responsibilities and provides the means to:

- Identify, evaluate, control and report significant risks as they arise

- Implement a comprehensive, consistent and company-wide approach to risk management
- Maintain a risk register detailing the risks faced by branches and support functions along with appropriate remedial action plans
- Promote risk control as a fundamental business process

Our internal control systems

Effective internal controls are essential. They help us reduce risks, improve competitiveness and comply with all UK legal requirements as well as those of the EDF Group.

In line with established and accepted principles, our definition of internal control covers all systems used in EDF Energy to provide directors and managers with reasonable assurance concerning:

- Compliance with laws and regulations
- Compliance with management decisions and guidelines
- The effectiveness and efficiency of internal activities and processes
- The relevance and reliability of financial and other information

We integrate our internal control systems into our day-to-day processes. Managers at every level of our business are responsible for aspects of internal control.

Corporate Responsibility and Environment Panel

We set up a Corporate Responsibility and Environment (CR&E) policy and standards panel in 2006 to help us achieve the levels of performance, strategic direction and cross-company co-ordination required to achieve our sustainable future ambitions. The panel, chaired by the Director Sustainable Future, plays many multiple roles – including helping in the development of clear company strategy and standards on priority CR issues and monitoring business compliance with these standards. Panel members act as champions and catalysts within their own

business areas, helping to establish a shared vision for CR&E and to promote collaborative action and achievement on CR&E objectives.

Our Internal Control Policy

Our Internal Control Policy is in place to provide clarity about management accountability, define minimum required standards and establish ways to report on internal control to our stakeholders. The policy supports the dynamic framework illustrated below.

EDF Energy internal control framework

In line with a clear vision, strategies are developed taking into account key strategic risks. Strategy is translated into objectives – delivered through 'business as usual' processes and projects

Barriers to achieving objectives are defined as risks. EDF Energy managers identify risks, assess the level of threat they present and develop appropriate processes and projects to manage them at an acceptable level.

EDF Energy Managers put performance indicators in place to monitor progress towards objectives. Performance is reported against these indicators regularly and reviewed by managers at the appropriate level.

Corporate governance systems are set out in policies and procedures – communicated effectively to all EDF Energy employees.

Internal control systems are monitored and assessed at least once a year to support continuous improvements. Self assessment methods are used to prepare formal performance reports that include action plans for future improvement.

Our 2007 Sustainability Performance Report maintains our commitment to report publicly on our social, environmental and financial performance in an integrated summary. In the recent past we have framed the report around our five ambitions; this year we have structured information around the social, environmental and financial dimensions of sustainability

EDF Energy plc, a subsidiary of EDF SA, is a UK-based integrated energy company, composed of generation, distribution and customer supply, and is registered in England and Wales. The headquarters are located at 40 Grosvenor Place, Victoria, London, SW1X 7EN

The contents of this report reflect our stakeholders' concerns and expectations, as well as the issues that matter most to our performance as a business. It has been created through dialogue with our Corporate Responsibility & Environmental (CR&E) panel and with inputs from all areas of our business – and signed off at Executive level.

The report is intended for all our key stakeholders: customers, employees, business partners, suppliers, trade unions, public bodies, opinion formers and NGOs.

Involving our stakeholders

In 2005, we invited a panel of external stakeholders to comment on the content of our finished report. Their feedback (highlighting the need to do more to address our CO₂ emissions) had an important influence on the development of Our Climate Commitments. The panel's involvement in our reporting process also highlighted the benefits of regular engagement with our stakeholders.

In 2006, we established our Stakeholder Advisory Panel who met on a quarterly basis in 2007. It acts as a conduit for stakeholder concerns, a 'critical friend' concerning our policy development and as a reciprocal ambassador group for EDF Energy and stakeholders. The Panel has also provided feedback on this report.

Reporting parameters

To ensure transparency and maintain stakeholders' trust, our 2007 report has been subject to independent assurance by Csrnetwork using the AA1000 Assurance Standard. We have reviewed its contents also against relevant performance indicators including the Global Reporting Initiative. The report covers the activities of EDF Energy and its subsidiaries in which it has majority control.

Unless stated otherwise, the reporting cycle is annual and based on data collected from the 1 January 2007 to 31 December 2007, similarly to our last report published in August 2006. There have not been any changes in the company or the reporting or the measurement process for performance indicators in this time period unless stated otherwise. Our measurements are based on industry standards for the UK, as indicated throughout the report. The intent is to publish the report five months after the data collection timeline.

We believe that it's important to report on our performance. We want to improve the way we do business and the way we report. We welcome any feedback you have about our performance and this report. To share your comments, please visit our Contact us pages.



More and more, people are concerned about climate change, energy affordability and the security of energy supply. We have clear views about how to meet these challenges but we want to listen to others and understand alternative points of view. We engage with our stakeholders – those who affect or are affected by our business – to hear their opinions and explain our position on key issues

“It’s our responsibility to help make sure that the policy-makers, inside and outside of EDF Energy, are aware of our position and why we believe in it.”

Andrew Brown, Director Corporate Communications

Our corporate strategy is framed around five dimensions, reflecting our key priorities regarding safety, shareholder, employees, customers and sustainability. We engage with these key stakeholder groups in different ways and for different reasons, but always aim to create mutual benefit.

We interview thousands of customers every year and engage with opinion formers and expert advisors, to help develop new products and improve customer service.

We liaise with specialist stakeholder groups, including the Fuel Poverty Action Group, the Energy Saving Trust, UK Business Council for Sustainable Energy, Energywatch, Ofgem, BERR, DEFRA, industry panels and many others. We make no contribution to any political parties, politicians, and related institutions.

Through a series of breakfast events we also aim to widen the debate on key issues that affect our business. We held an event on fuel poverty in December 2007 and plan to hold further events on the forthcoming DPCR5 project with a wide range of stakeholders.

Energy policy debate

Energy policy was high on the government's agenda in 2007, and we participated in consultations that will have a profound impact on our industry and the UK for decades to come. In 2007, we contributed to the government's Energy Review, supported policy work through our media activities, participated in several Select Committee inquiries and briefed MPs regularly on energy issues.

We focused policy engagement around our plans to develop new nuclear, gas and renewable generation capacity in the UK, making a comprehensive submission to the government's nuclear consultation process and participated in a series of related public events. We used key political dates – for example, publication of the Energy White Paper and party conferences – to engage

journalists and stakeholders on this topic. In October, we showed a cross-party group of MPs around the EDF nuclear plant at Gravelines near Dunkirk and took journalists to Flamanville in Normandy where EDF is building a new nuclear plant.

Through initiatives such as our annual tracker survey of public opinion on energy and environmental issues, and regular briefings, we got our key messages across to the trade, regional and national media. In league tables calculated by Millward Brown Precipis, a business that provides intelligence on companies' media positions, EDF Energy achieved first-place ranking in both national and regional media coverage for 2007. For the second year running, the efforts of our media team were recognised at the PR Week Awards, where we were 'highly commended' in the Private Sector Department of the Year category.

Members of Parliament

CommunicateResearch surveyed 150 Members of Parliament between November and December 2007 by self-completion questionnaire on behalf of EDF Energy on their recognition of EDF Energy and came 2nd amongst the big suppliers. We also receive comments from MPs via a range of other channels including letters, events (Annual House of Commons Tea Reception, Party Conference) and face-to-face meetings. This information is brought to the attention of our senior management on a regular basis via monthly media reporting.

London 2012

Sponsorship is a great way to build our brand and connect with communities and becoming the first official Sustainability Partner of the London 2012 Olympic and Paralympic Games was a highlight of 2007. The partnership builds on our reputation as a sponsor of professional and grass-roots rugby; it also supports Our Climate Commitments, published on World Environment Day in June.

Community engagement

We engage with local communities through our Helping Hands and One Community Ambassador volunteering programmes, both of which support employees who give their time to contribute to worthwhile causes. We've worked with a 'charity partner', Mencap since 2005, raising around £719,000 to support its Energise project, and with the WRVS, to promote our Safe, Warm and Well awareness campaign.

NGOs

EDF Energy engages with a wide range of bodies to understand how we can improve our services. We work with the WRVS to support our activities across our customer initiatives and networks. We have held debates at the House of Commons in 2007 and 2008 on the social tariff and energy efficiency with the National Right to Fuel Campaign (NRFC which is a recognised body that campaigns on these issues with a wide range of panellists and guests to discuss. We are meeting with other organisations on an ongoing basis to talk about our Climate and Social Commitments – Countryside Alliance, Christian Aid are two very recent examples.

Stakeholder Advisory Panel

In 2006 we set up a Stakeholder Advisory Panel to engage with independent experts from relevant disciplines. This panel meets with our Chief Executive and Executive Team every three months to discuss the strategic issues we face and their impact on our business strategies and our policies. The panel provides a healthy challenge to our Executive team and a strong voice for our stakeholders. It also helps to shape our business strategy.

The panel helped us to define the content of both Our Climate Commitments and Social Commitments – challenging us to make sure the goals we set were relevant and ambitious.

The table below is an illustration of our engagement with key Stakeholders

Achievement	Description	Stakeholders involved
Our Climate Commitments (June 2007)	Our commitments to address climate change: this programme of action focuses on what matters most to our customers and where we can achieve positive results	Stakeholder Advisory Panel, Employees
Our Social Commitments (February 2008)	Our Social Commitments cover a wide and diverse range of challenges. They cover energy affordability, security of supply, safety, ethical procurement, employee development and community investment	Stakeholder Advisory Panel, Employees
Customer Focus Group (2007)	Monthly meetings, where 15000 interviews were carried out in 2007	Stakeholders, Major Business Customers and the Mass market
Safe, Warm and Well	To make customers aware of potential risks and give advice on how to reduce these risks	Stakeholders, vulnerable and older customers
Stakeholders Network meeting (January 2007)	Priority Service Workshop held by a UK network operator and involving key stakeholder groups with expertise in the field of working with vulnerable groups	Mencap, British Red Cross, WRVS, Ofgem, Association of Directors of Social Services Deafblind UK, The Salvation Army, West Suffolk Hospital NHS Trust, City and boroughs of London

We established an independent stakeholder advisory panel in 2006 to challenge our business approach and provide expert input to the development of our strategy. Our Chief Executive Vincent de Rivaz and other Executive members attend quarterly meetings with the panel.

Stakeholder Advisory Panel members

The panel is made up of eminent individuals with broad experience in business, community relations and environmental issues.

The panel Chairman is Will Hutton, Chief Executive of the Work Foundation and one of the UK's leading commentators on social and political affairs.

Deputy Chairman is John Roberts, a Fellow of the Royal Academy of Engineering and until recently the Chief Executive of United Utilities.

The other panel members are: Diane Coyle, an award-winning financial journalist, radio presenter and economist; Lord Julian Hunt, an eminent scientist and internationally recognised expert on climate change; and Shaks Ghosh, a board member of the Sector Skills Development Agency and former CEO of charity for homeless people Crisis, who is an expert on issues of social policy and diversity.

Stakeholder Advisory Panel perspective

"We welcome the opportunity to comment on EDF Energy's Sustainability Performance Report for 2007. This was a challenging year for the energy industry, with volatile and rising wholesale prices, unseasonable weather, a turbulent market and increasing media and political scrutiny. Throughout we were pleased to have the opportunity to discuss strategic issues with senior management, who were consistently open and frank and to provide a voice for the many stakeholders of the company.

From our personal involvement – and the evidence provided in this report – we believe that EDF Energy has a well balanced, long-term approach to running the business and does its best to deliver its mission – “to bring sustainable energy solutions home to everyone”. Despite some external scepticism of the energy sector, this is a company that genuinely tries to embed its public promises on sustainability, social and environmental performance, into its internal operations. This approach has a critical role to play in the face of some of the biggest challenges facing the energy industry today, such as energy affordability, security of supply and climate change.

The Stakeholder Advisory Panel was established in 2006 and we were invited for our advice throughout 2007 as EDF Energy developed its current position on sustainability. Our independence has been fully respected by the company. We have brought our joint experience to bear on the gamut of social and environmental policy matters, commenting on the creation of Our Climate Commitments which were launched in June 2007 and Our Social Commitments which were launched in February 2008. We were engaged in discussion on specific issues such as fuel poverty and the beginning of EDF Energy's preparation for Ofgem's distribution price review (DPCR5). We have sought and been offered assurance about the integrity of EDF Energy's approach to pricing.

Strong governance is critical to the successful operation of any business. The opportunity to advise and influence the creation of this Sustainability Performance Report is a welcome and important part of the process. We have worked with Csrnetwork, the independent assurers, to support the assurance process and provide our views on how key issues might be reflected in the report.

In summary, the panel considers this to be an important report for EDF Energy in its transition to become a genuinely sustainable business. The case studies are many and varied, exploring the work the company has been doing to address the challenges facing the energy industry, and society at large.

There is more to do; some issues are highly problematic. But we acknowledge that EDF Energy has recognised the scale of the challenge and are encouraged by the way it has responded in 2007 with an ambitious strategy and stretching targets. We look forward to working with EDF Energy in 2008 and beyond as it continues to deliver against the targets it has set itself."

Will Hutton, Chief Executive of The Work Foundation and Chair of EDF Energy's Stakeholder Advisory Panel

We're committed to making EDF Energy a truly sustainable business. For us, sustainability means tackling the big social and environmental issues facing our industry while growing our business profitability. Our Climate Commitments and Our Social Commitments set our route to sustainability.

“ More and more customers want to see us not only managing our electricity distribution networks to maximise safety, reliability and value for money but also leading and responding to the new demand to see local energy solutions becoming a reality. ”

Paul Cuttill, Chief Operating Officer, Networks

Sustainability is about balance: meeting the social, environmental and economic needs of today without compromising the needs of tomorrow. For those of us working in the energy sector, finding the right balance is a pressing challenge.

The Past	
July 2003	EDF Energy created
November 2003	Commits to UK-only call centres, ensuring our customers receive the best service from employees who understand their needs
December 2003	EDF Energy launches its Ambitions, setting out its balanced approach to achieving business success.
May 2004	Becomes first Premier Partner of London 2012 bid.
January 2005	EU Emissions Trading begins, EDF Energy participates.
May 2005	Second round of Energy Efficiency Commitment (EEC2) begins.
November 2005	EDF Group IPO
February 2006	Launch of One Planet and One Community Ambassadors programme – an employee champion scheme.
March 2006	London ESCO created with remit to develop decentralised energy schemes for London
April 2006	Submission to Government's Energy Review
June 2006	Sustainable Future Project launched with the aim of building on our track record of corporate responsibility and providing clear direction on the big social and environmental challenges such as climate change, energy affordability and security of supply.
May 2007	Achieves 'Platinum' status in BITC Corporate Responsibility Index
June 2007	Our Climate Commitments launched, setting firm targets for drastically reducing CO2 emissions from all areas of the company's operations.
July 2007	EDF Energy becomes first Sustainability Partner of the London 2012 Olympic and Paralympic games
December 2007	Energy Technologies Institute is launched with EDF Energy a key member.

The Future	
2008	Launch of 'Our Social Commitments'
2008	Creation of new set of Ambitions to take us to 2012
2012	A big year! We will have achieved: a 20% reduction in emissions from our vehicles, a 30% reduction in emissions from our use of energy, a doubling of employee community involvement, a 50% reduction in materials sent to landfill. Our five year Ambitions framework will conclude. London 2012 Olympic and Paralympic games.
2020	We will have achieved a 60% reduction in carbon intensity from our electricity generation. Based on our 2007 portfolio this will represent an annual saving from 2012 of 12million tonnes CO2 per year. We will have helped our customers reduce their energy use carbon intensity by 15%.

Sustainable Future project

In 2006, we launched our Sustainable Future project to act as a catalyst for the development of sustainable business practices and help make EDF Energy a business that adds economic, social and environmental value.

We accept our wider social and environmental responsibilities and the need to take action on:

- Climate change – reducing emissions from our power stations, buildings and vehicles
- Fuel poverty and vulnerable customers – providing affordable energy for those who need it most
- Security of supply – supplying safe, secure and reliable energy
- Employment practices – making EDF Energy a safe and healthy place to work

Our approach to addressing these challenges has been informed by a range of external stakeholders, most notably through our partnership with Forum for the Future. We believe we're in a strong position to tackle all of these issues.

Climate and social commitments

We're part of the EDF Group – a major electricity generator with lower CO₂ emissions than any of its major European competitors. We're also recognised as a responsible business in the UK, where we achieved a Platinum ranking in the Business in the Community Corporate Responsibility Index for 2007.

During 2007, we built on these strong foundations, launching ambitious, industry-leading targets on climate change and became the first sustainability partner for the London 2012 Olympic and Paralympic Games. The London 2012 Games aim to set new standards in sustainability and we are proud to be part of it. We also launch our 2012 Carbon Challenge in July, using the inspiration of the Games to encourage millions of people to pledge to reduce their carbon footprint by 2012.

In 2008, we will develop a strong social programme to match our position on climate change, starting with the launch of Our Social Commitments.

As outlined in Our Climate Commitments, Social Commitments, and our green campaign we take into account Rio article 15's precautionary principles in order to protect the environment.

We're a business with a mission: to bring sustainable energy solutions home to everyone. We kicked off our efforts to tackle climate change with the launch of 'Our Climate Commitments' on World Environment Day in 2007. We launched Our Social Commitments in February 2008.

We created Our Climate Commitments and Our Social Commitments with the aim of really spelling out how EDF Energy will make the transition to a truly sustainable energy company.

It was important to ensure that we tackled the greatest challenges and those issues that our stakeholders considered to be most important.

We based our overall approach on Forum for the Future's Leader Business framework and engaged key stakeholders to determine specific priorities. We started internally with our Corporate Responsibility and Environment Panel and involved other internal and external stakeholders, including:

- The EDF Energy Stakeholder Advisory Panel
- Forum for the Future
- Fuel Poverty Advisory Group
- National Energy Action
- our National Works Council
- EDF Group

This iterative process confirmed our own view that the key challenges related to climate change and supporting our most vulnerable customers.



Our Climate Commitments were launched on World Environment Day

Having spelled out how we will operate in a way that successfully balances environmental performance, social responsibility and profits – the basis of sustainability – we decided to use this same approach in our Sustainability Performance Report.

Our Climate Commitments

We're determined to play a leading role in tackling climate change. Our Climate Commitments go beyond the UK government's targets to date for reducing carbon emissions; and far beyond anything our industry has ever seen before.

Our Climate Commitments explain how we will reduce the environmental impact of our electricity generation, our use of energy, transport and our waste management – and help our customers to reduce their energy carbon footprint at the same time. They currently represent the most far-reaching set of climate change targets yet announced by any major UK energy company to date, they set a point of reference for others to use in their own climate change activities.

Our efforts to achieve sustainability mark a fundamental change in our approach to energy and energy services.

In July 2007, we became the first official sustainability partner and top tier sponsor of the London 2012 Olympic and Paralympic Games. We want to use London 2012 to inspire people to reduce their carbon footprints through initiatives like our 2012 Carbon Challenge – which calls on consumers to pledge a 15% reduction of CO₂ arising from their own energy consumption by 2020.

Our Social Commitments

Launched in February 2008, Our Social Commitments set out our approach to tackling the key social challenges facing our industry: care for vulnerable customers; health and safety; employee skills development; continuity of energy supply, community investment, diversity and ethical procurement.

Many customers today want more from EDF Energy: secure and affordable energy, but also action on climate change. We share their concerns. Our vision is to become a more successful and sustainable business that leads the way on energy efficiency, low carbon energy generation and electricity network development.

Our customers often tell us that they're concerned about security of supply, energy affordability and climate change. If we want to be recognised as the leading sustainable energy company we must address their concerns, while also maintaining the highest standards of customer service.

Launching Our Climate Commitments was a big step in the right direction. We're keen to play our part in combating this global issue, by taking steps to reduce our own carbon footprint and investing in sustainable energy solutions. At the same time, we have to make sure that our business is financially sustainable. Government can help us and others by creating a market and policy framework that promotes investment in low carbon sustainable energy.

Helping vulnerable customers

We understand that investment in a sustainable future could put extra pressure on energy prices and specifically on vulnerable customers who may already struggle to meet energy costs. That's why we support the introduction of a national 'tariff relief' scheme, providing dedicated financial help to those most in need.

Energy Supply

EDF Energy has developed award winning products and services designed to reduce consumption and save money. We'll continue to offer traditional solutions, such as cavity wall insulation, but also try to provide new, innovative solutions: green tariffs, Read.Reduce.Reward, microgeneration technologies, smart meters, energy efficient white goods at competitive prices and other ways to 'Save Today. Save Tomorrow', in line with our 2008 marketing campaign.

In all, we're set to invest around £300 million in domestic energy efficiency measures over the next three years – in line with the first phase of the government's Carbon Emissions Reductions Target (CERT) programme.

Generation

With around 15GW of the UK's existing electricity power plant capability anticipated to retire by 2016, and further closures expected shortly after, substantial investment in new capacity is essential. We believe that investment in a range of low-carbon energy sources is the way forward, with renewable, gas, clean coal and nuclear energy all playing their part. Assuming government creates the appropriate environmental and regulatory framework, we're set to invest in low-carbon energy generation, including new nuclear capacity. Where it makes economic and environmental sense, we also intend to invest in smaller-scale local energy solutions on an individual basis or through the London Energy Services Company (ESCO).

Networks

Our networks business will face new challenges in the future, as more decentralised energy technologies come into operation. The demand for electricity will change and so change the way we operate our network must adapt to respond. We must continue to upgrade our infrastructure and to improve reliability whilst recognising that distribution network operators of the future are likely to need to complete new tasks such as balancing local demand and supply.



Helping vulnerable customers within London Warm Zone

The scale of the current energy challenge is unprecedented. If we're serious about tackling climate change and also meeting growing global energy demand, we need to take action now. In 2007, the British government demonstrated its readiness to act: bringing forward reforms in planning and setting legally binding carbon emissions targets for the UK.

This momentum looks set to continue in 2008, with government having now confirmed their support for construction of a new generation of nuclear power stations in the UK.

How can we meet escalating global demand for secure, affordable energy? What can we do to tackle climate change? The global community must find cost effective, lasting solutions to these problems. In the UK, we can make a difference by replacing our ageing energy infrastructure with technologies capable of delivering affordable, secure, low carbon energy in the long term.

In 2007, the British government signalled its commitment to a low carbon future by proposed binding targets for carbon emissions reductions – 26-32% by 2020, and 60% by 2050 compared to 1990 levels. In addition, government proposals on planning reform look set to significantly reduce delays in large projects specifically energy projects. The European Union also published ambitious climate change and energy targets in 2007, committing to cut EU carbon emissions, improve energy efficiency and increase renewable energy levels – with a target of 20% on each count by 2020.

Playing our part

EDF Energy has spoken out in favour of reform. We were actively involved in policy debate throughout 2007, responding to government consultations on nuclear power, planning, decentralised energy, renewable energy, energy efficiency, long term carbon pricing and other relevant issues. Our policy position hasn't changed: we believe that improvements in energy

efficiency, combined with the development of a diverse low-carbon energy 'mix' (including clean coal, nuclear, renewable and decentralised energy) are essential to achieve long term economic, social and environmental sustainability.

Nuclear power

A new generation of nuclear power stations is needed if the UK is to meet its objectives. Nuclear power is a safe, reliable and low-carbon option. It is also less expensive than renewable or carbon capture and storage technologies and requires no subsidy.

Renewable and decentralised energy

Renewable energy, including wind power has an important role to play in reducing UK carbon emissions. At present, many renewable technologies are expensive and require subsidy from customers, but in the longer term costs should come down. One drawback is that supply from wind is also intermittent, which means that it will always require backup from conventional sources to guarantee security of supply.

Decentralised energy systems, including microgeneration, can be used to generate energy for individual homes or businesses, but are frequently more expensive and less efficient than other low carbon energy sources.

Carbon capture and storage technologies could help us to continue the use of coal for energy generation by minimising its impact on climate change. We expect carbon capture to play a major role in the UK's energy mix in future, although only a few small 'demonstration' projects are currently operating.

The next steps

Looking ahead to 2008, we believe government can support investment in low carbon energy technologies by finalising reforms to the planning system and by ensuring a long-term carbon price that takes into account the value of carbon emissions reductions. In the short-term, we believe that a transitional UK-specific carbon price mechanism may be required in addition to a stronger European Union Emissions Trading Scheme.



Close co-operation across the business, as seen at an Energy Review meeting, is helping the company make an impact

Contributing towards the Mayor of London's low carbon energy strategy

EDF Energy has joined forces with the London Climate Change Agency to create a company London ESCO Ltd as part of the Mayor of London's low carbon energy strategy. London ESCO aims to develop low-carbon energy solutions on a commercial basis and catalyse the marketplace by spreading the word about the potential of decentralised energy generation.

London ESCO has been set up as joint venture between the London Climate Change Agency (part of the London Development Agency) and EDF Energy. The LCCA holds a 19% share in the private company, EDF Energy the remaining 81%.

London ESCO is in business to develop energy projects that reduce carbon emissions without compromising commercial objectives. It aims to bring about change by making businesses and other organisations more aware of the potential of decentralised energy generation projects to meet their power, heating and cooling needs.

Work has been carried out to define potential sites, projects and clients across the capital where investment in sustainable energy technology would reduce carbon emissions through the use of various technologies, including Combined Cooling, Heat & Power generation and renewable energy solutions.

London ESCO is building relationships with potential clients too, including public authorities, the London Development Agency, Borough Councils and property developers. The company submitted 10 project proposals in 2007 and is in advanced discussions on a number of projects, including projects in Elephant & Castle and the Greenwich Peninsula.



Energy minister Malcom Wicks visits our CHP station at Barkantine

Investing in a new CCGT power station at West Burton

Following an application made to the UK government back in 2005, comprehensive environmental studies and a lengthy public consultation, we have received the go-ahead to build a new 1300MW CCGT power station at West Burton. CCGT, short for 'Combined Cycle Gas Turbine' is the most energy efficient and clean method of fossil fuel power generation and when complete, the new power station will play an important role in reducing EDF Energy's environmental impacts.

The consent, gives us the green light to proceed to the next stage of the project – with an extensive Environmental Impact Assessment now completed, along with public consultations that allowed us to meet local residents and other interested parties and discuss their concerns about the proposed project.

When complete, the plant will have a capacity of around 1300 MW – enough electricity to meet the needs of around 1.5 million homes.

Our investment in CCGT supports our plans to diversify our energy generation mix. It does not reduce the impact of the other plants. It reduces the overall carbon intensity of EDF Energy generation portfolios. It also reduces UK plc total generation emissions.

CCGT is the most energy efficient and clean method of fossil fuel power generation – burning natural gas to turn an electricity-generating gas turbine and also recycling waste heat to the steam required to drive an electricity-generating steam turbine.

The West Burton B plant will help to address a potential shortfall in generation capacity, which could have an impact as soon as 2016 if action isn't taken. CCGT has a role to play, but we believe that other energy technologies are needed too. Our recent submission to the government's nuclear consultation made our views clear: we believe that the UK's existing nuclear capacity needs to be replaced as part of a broad investment in low carbon energy.



Sutton Bridge, EDF Energy's gas-fired power station

Building a new offshore windfarm in Teesside

EDF Energy has received the green light from government to build a 90MW offshore windfarm in Teesside as part of its commitment to develop a 1000MW renewable energy power generation portfolio by 2012.

Consent which is obtained from the Department of Business Enterprise and Regulatory Reform, is needed to progress to the next phase of an ambitious offshore windfarm project off Redcar in Teesside.

The planned windfarm will comprise 30 or more turbines with capacity of 90 MW, capable of generating enough electricity to meet the needs of 60,000 households.

Over the past four years, we have been working hard to progress this project – consulting extensively with local people, local councils and national bodies. These consultations formed part of several wider surveys, including a comprehensive Environmental Impact Assessment. As the project moves forward, we will continue to work with local residents and other interested parties.

The windfarm at Redcar will set us on the way towards achieving a key objective set out in our Climate Commitments – to develop a 1000MW renewable energy power generation capacity by 2012.



Impression of Teesside offshore windfarm project

To be a truly sustainable business we must meet our social responsibilities to our employees, customers, suppliers and the communities we serve. Our Social Commitments, launched in early 2008, explain how we can tackle key issues such as safety, customer care, skills development and diversity.

“With the predicted skills shortages in London, we have to take better advantage of the diversity out there. Diversity shouldn't be seen as complying with basic laws – it is about having a progressive workplace welcoming all people.”

Tim Boylin, Human Resources Director

We aim to make EDF Energy a 'zero harm' business. The safety of our employees, our contractors and the public is our top priority and our bottom line.



- › Employee safety
- › Public safety

In 2006 we completed work with Dupont to apply the Safety Excellence Model across our business. We maintained this direction throughout 2007, developing our Health and Safety Policy further to reaffirm our position: we believe all harm is preventable so our aim is zero harm.

Health and Safety Policy

Our Health and Safety Policy states five key principles:

- Every job will be done safely, no matter how important or urgent it is
- Each of us has a personal responsibility for our own health and safety and for those around us
- Putting people to work carries a specific responsibility and accountability for health and safety which will be visibly demonstrated
- Each near miss we learn from reduces the chance of harm next time
- Each of us will spot, report and deal with hazards to help create a harm free workplace

Health and safety performance in 2007

Our H&S performance was overshadowed by the death of three employees at work: in August, an employee working for the Contracting Low Voltage Division fell from a mobile scaffolding tower that he was dismantling; in September, an employee working on the Low Voltage Public Network was electrocuted during a Live Jointing operation; in November, a linesman was electrocuted while upgrading a pole-mounted transformer on the Public Network. In each case, similar activities were suspended immediately and only re-authorised once causes were identified and appropriate measures taken to prevent a recurrence. The three incidents were investigated thoroughly and all recommendations are being implemented in full.

Our H&S strategy has been reviewed following these three fatal incidents. We need to understand our employees' perceptions and behaviours better; and to help us do this we have appointed an independent expert to carry out a cultural survey early in 2008. We will use the results to determine our future strategy and improve performance.

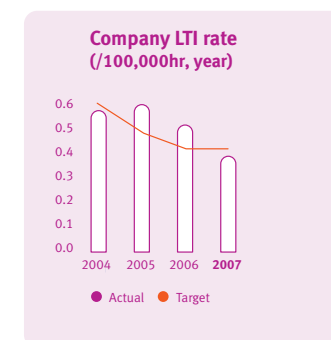
Zero Harm helpline – We set up a free to call, confidential reporting line to enable employees and contractor's employees to report unsafe acts and conditions that they feel they were unable to report to their supervisor or manager. The helpline has proved a success and we have been able to deal with the issues raised in an effective and timely manner.

Zero Harm Project – Networks branch have initiated a Zero Harm Project which is targeting the areas of procedures and behaviours. A full review of training programmes is being undertaken with priority being given to refresher training of field based employees.

Project Zero Harm Improving Health and Safety Standards – This project is building on, and delivering, improved Health and Safety Standards across the company. The key areas that the project aims to address are Risk Assessment, Incident Investigation, Driving, Contractors and Construction and Working at Height. We are confident that this project will engage every employee and contractor working within EDF Energy

Performance improved by 18% compared to 2006, but the severity of Lost Time Injuries was higher, with a significant number of three-day injuries. Most Lost Time Incidents occurred in the 'slip trip or fall' category. Compliance with OHSAS 18001 (the standard on occupational H&S) was largely completed by the end of the year, although the Customers Branch management system has yet to be verified in 2008.

We used the HSE index to measure management activities that reduce risk and improve visibility of safety issues. Despite the three fatalities, our year-end index score was 91.2 % against a target of 90%. Contractor performance is included in all our health and safety (H&S) data.



Actions for the future

We will implement key performance standards covering Incident Investigation, Risk Management, Driving, Occupational Health, Contractors and Working at Height, and assess other H&S Standards against best-practice during 2008. By 2012 our 'Fit Safe and Responsible' ambition will be replaced by a 'Safe for All', measured using 'Days of Zero Harm' as a key performance indicator. This reflects our commitment: we believe that all harm is preventable so our aim is zero harm.

Rolling out the 'Cardinal Rules' for safety at our power stations

Our 2006 Employee Opinion Survey highlighted the need to help EDF Energy employees working at our power stations contribute towards our Zero Harm target by taking active steps to improve safety in their workplace.

We met the challenge by developing our six 'Cardinal Rules' about safety – in many ways a back to basics approach to a potential life-threatening problem. The rules explain what employees need to do when undertaking any task, in clear and simple language. They cover a range of tasks and issues, including effective induction for employees, contractors and visitors, driving standards, the use of personal protection equipment, good housekeeping, mobile phone use and safety incident investigations.

The Cardinal Rules are now in use at all EDF Energy power stations. They're issued during staff inductions and displayed prominently in communal areas. Every employee also has a personal copy. These are being rolled out across the Energy Branch offices in 2008.

ENERGY BRANCH

HEALTH AND SAFETY

CARDINAL RULES

ZERO HARM, OUR COMMON GOAL

>> Safety Inductions

- All employees, contractors and visitors will be inducted at an appropriate level for their visit
- Employees and term contractors will be refreshed every three years
- Temporary staff will be refreshed annually

>> Driving

- Seat belts on at all times, in all areas
- Engine on, mobile off
- Site speed restrictions to be observed
- Parking only in approved areas

>> Personal Protection

- Risk assess the task
- Risk assess the area
- Use appropriate Personal Protective Equipment

ZERO HARM

EDF ENERGY

Safety is at the heart of everything we do

Raising health and safety performance standards through our Zero Harm project

Building on the work we completed in 2006 with Dupont to apply the Safety Excellence Model across our business, we're moving forward with our Zero Harm project – an extensive undertaking that's designed to improve health and safety standards across several key areas of our business.

Our Zero Harm project was launched early in 2007 to investigate the feasibility of improving our health and safety standards in five key areas: driving and transport; occupational health; contracting and contractors; incident investigation and risk management. In August 2007 working at height was added.

In its first phases, the project focused on answering three key questions: how large are the gaps between our current Health and Safety (H&S) practices and the standards we want to achieve?; what do we need to do to close these gaps?; what will be the impact of any proposed initiatives to improve standards? – how much will they cost and how will we measure the benefits?

Between May and July 2007, the project team worked hard to answer these challenging questions – completing a gap analysis exercise that involved interviews with over 540 employees and ran delivery planning workshops with representatives from our branches and functions. The interviews and workshops all provided a wealth of valuable information about current practices and lots of ideas about ways to push standards up.

The project team consolidated their findings, identifying around 60 initiatives with potential to help us meet our new standards. These covered processes, governance and audit, systems, facilities, training and communication.

Looking ahead, our Zero Harm project will provide the focus as we put specific initiatives into action. It also provides some useful first principles – stressing the need to be clear about measurable outcomes, promote continuous change, develop relevant and reusable tools and to build leadership for H&S at every level of our business.



Embedding a culture of Zero Harm

Raising health & safety standards in our offices in Energy Branch

Our 2006 Employee Opinion Survey highlighted the need to help all our employees understand the importance of following some basic safety rules in the workplace – not only those working in higher risk areas like power stations, but also office-based employees.

To spread the word about safety we developed a one-day health and safety course to meet the needs of all our office-based employees. Course content was designed to raise awareness of health and safety issues, risks and best practice – in the office and in other locations as well. The basic course, accredited by the Institute of Occupational Health & Safety, was tailored for our requirements, our company policies and to suit our offices environment, but always delivered clear and straightforward messages and advice.

In all, 26 separate courses were held. Around 82% of employees eligible to attend completed the course, a total of 225 people out of 273 invited in Energy Branch. Feedback from participants was positive.



Employees in the workplace

We take positive action to reduce harm to the public from our operations. We invest time, energy and resources to make sure people are aware of the potential risks presented by our network distribution sites and other equipment.

Our Education Advisors work with schools and community partners across our networks sharing important messages about safety, sustainability and energy efficiency with over 100,000 children a year. Our Public Safety Team provides useful information and practical safety demonstrations across the UK. The two teams have worked together at several major events.

Safety in schools

Our Education team works with children across the UK. Education Advisors take part in a wide range of local events designed to encourage good citizenship, personal responsibility and safety awareness – often working closely with other agencies such as the Police, Fire Service and Network Rail. The team also supports the national curriculum at Key Stages 1 and 2, by running interactive workshops. These are designed to be fun, but they also support the teaching of Science, Design Technology and Personal Social and Health Education. Most importantly, they raise children’s awareness of the dangers of electrical equipment.

Our Education Team hosts Power UP! – a website providing safety messages as well as curriculum-related information about electricity for pupils and teachers through games, quizzes, worksheets and information packs for pupils and teachers.

Public Safety Team

During 2007, our Public Safety Team ran an information stall at eight major county shows, in total attended by over 100,000 people. They distributed over 8000 substation safety information ‘bags’ and used dummy equipment to teach people about the dangers they face near our assets. The team plans to attend 34 shows in 2008.



Educating children about the electrical safety

Sub-station watch

The rising value of metal, especially lead and copper has led to a dramatic increase in theft. It is an international problem affecting many industries. Metal thefts have resulted in a number of dangerous occurrences including live cable cuts and interruptions to customers electricity supplies.

Following a link-up with Neighbourhood Watch in 2006, the Public Safety Team has completed a successful pilot scheme across Hertfordshire, involving up to 20,000 volunteer public ‘watchers’. The scheme is set for roll out across five more counties in 2008 with the aim of drastically increasing the “pairs of eyes” we have who are trained to spot safety issues.

Business continuity planning

Security and safety issues dominated the agenda at a recent business continuity briefing at London’s QE2 Conference Centre in October 2007.

An exercise was staged to improve the company’s response to the types of problems that would be faced in an emergency. It asked participants to imagine that a terrorist bomb had gone off in a crowded shopping centre.

Run by the National Counter Terrorism Security Office – a police unit located within MI5 – the simulation gave the company a chance to test its emergency management plans.

The interactive exercise saw the police and representatives of the emergency services working closely with EDF Energy personnel to make decisions about what the business needs to do to help prevent, and survive, a terrorist attack or similar incident.

We believe that the best way to tackle fuel poverty is to address all three of its root causes: low income, poor housing and energy costs. Although this is primarily a responsibility for government, we've led the way in the energy sector, putting in place an effective strategy to support EDF Energy customers living in fuel poverty.

With higher energy prices the number of households in fuel poverty has been increasing. EDF Energy has always taken its responsibility to vulnerable customers very seriously and in particular has gone far beyond regulatory obligations to support customers struggling to pay energy bills to keep warm. Cornwall energy associates, on behalf of Energywatch, reported we were making the largest commitment to electricity social tariffs by contributing £2.5m and for gas social tariffs we are the next highest contributor committing a total of £1.3m.

As part of our strategy, a number of initiatives are in place. They include: London Warm Zone, a scheme that helps many London boroughs to address fuel poverty at a household level; and the EDF Energy Trust fund, which provides advice and grants to customers who're struggling to pay their energy bills and other vital household expenses. We were the first energy supplier in the UK to introduce a Social Tariff in 2006. Through Energy Assist, some 50,000 EDF Energy customers benefit from price discounts worth an average of £147 a year for dual fuel purchasers.

Fuel Poverty Advisory Group: "It is important that EDF Energy continues to develop industry leading products and services, undertake its core business well and contribute proactively to policy discussions" Peter Lehman, Chair



EDF Energy is committed to supporting its most vulnerable customers

Energy Efficiency Commitment (EEC)

Energy is an essential commodity. However, we believe that its use should be as efficient as possible, especially for those customers who struggle to afford the energy they need.

Promoting energy efficiency is an ongoing priority for EDF Energy and a large proportion of this activity happens under the Energy Efficiency Commitment (EEC), a government scheme overseen by the regulator Ofgem.

The current phase of the EEC (EEC 2 2005 -2008) is drawing to a close and from the 1st April 2008 EEC will be replaced by the Carbon Emissions Reduction Target (CERT) which will focus on carbon rather than energy savings.

Like all major UK energy suppliers, under the EEC we have a regulatory requirement to deliver energy efficiency measures to domestic customers and indeed the EEC forms part of the Government's climate change programme. In 2006 we achieved 16,900 GWh of energy saving, meeting and exceeding the targets set for us. This is equivalent to saving 20.5 million tonnes of CO₂. Some 41% of this saving came from households in the priority group, defined as those in receipt of certain income or disability related benefits. Using the EEC to target those in the priority group means that the EEC contributes to the Government's fuel poverty strategy by helping vulnerable customers increase the thermal comfort of their homes while simultaneously reducing their energy bills.

Results published by Ofgem in February 2007 (collated from December 2006 returns) indicate that the savings from all the major UK energy suppliers exceeded the targets set. Since the start of Government-initiated energy efficiency programmes back in 1994 EDF Energy has invested more than £178 million in energy saving measures, resulting in an energy saving of 25,200 GWh.

EDF Energy provides an energy efficiency advice service to domestic customers through a dedicated team of qualified advisers. We offer advice on how to save energy and money through low cost and no cost tips, provide information and advice about home insulation grants and can offer a free energy survey. In 2006 alone the team managed over 30,000 advice calls.



Promoting energy efficiency is an ongoing priority for EDF Energy

Helping our customers to stay 'Safe, Warm and Well' in winter

As temperatures drop in winter, many of our vulnerable and older customers may face risks of hypothermia and carbon monoxide poisoning caused by ineffective ventilation of heating systems. To make all our customers more aware of potential risks and give them, their families and their friends advice about how to reduce risks, we run our 'Safe, Warm and Well' campaign every year.

Spearheaded by television presenter Gloria Hunniford, the campaign runs from November through to January, using radio features and interviews, press advertising, mailshots and direct marketing promotions to highlight risks and provide practical solutions.

For 2007, we put particular emphasis on community involvement, encouraging people to get involved to support a neighbour. We also set up a new website, full of tips about how to stay warm and how to avoid risks from carbon monoxide.

The campaign built on our strong relationship with WRVS, with many of their 50,000 volunteers playing an important role as Safe, Warm and Well ambassadors: identifying those most at risk and providing practical assistance.



Celebrity Gloria Hunniford shows her support our Safe, Warm and Well campaign

Taking action to help our most vulnerable customers

In line with our commitment to help our most vulnerable customers, including those with disabilities or other special needs, we maintain a Priority Services Register. The register, which we actively promote, holds information about priority customers' requirements.

We also provide vulnerable customers with a wide range of special services, making it easier for them to access our services. These include alternatively formatted bills, literature for blind and partially sighted customers and a special password scheme to reduce the risk of burglary on the doorstep.

Our retail and operational teams work hard to identify and work with vulnerable customers. They also build active partnerships with many third parties: primary care trusts, local authorities and charities. Special campaigns such as Safe, Warm & Well, also raise the register's profile, making customers more aware of the special services we provide and helping us to identify those who need extra help. We are proud to record, that during 2007 over 50,000 new customers joined our Priority Services Register.



We run a Priority Services register to hold information about priority customers' requirements

Widening access to affordable warmth in London

To help vulnerable customers access the warmth they need, we set up the EDF Energy London Warm Zone back in 2001; initially as a pilot scheme run in partnership with the London Borough of Newham. Building on its initial success, the scheme has now been rolled out across 17 London Boroughs.

At the heart of the London Warm Zone is a street to street, door to door assessment process that helps us to understand the unique needs of individual households. These assessments are carried out by a team of highly skilled assessors who complete benefit health checks and also provide practical advice about warmth and energy issues. The London Warm Zone also provides vulnerable customers with access to warmth through improved heating systems and home insulation.

In 2007, EDF Energy provided £265,000 for sponsorship of the scheme and a further £1 million to finance energy efficiency measures. As a result, the London Warm Zone recorded an impressive performance, carrying out 25,000 door to door assessments and making 3,000 referrals to the government's Warm Front scheme. Through the year, over £2 million was invested for heating measures, while more than 4,000 people were contacted with the offer of benefits worth a total of £300,000. The 'Zone' was judged a winner of the Business in the Community's 'Big Tick' award and a finalist in BITC's 'Impact on London' awards.

The London Warm Zone brings very tangible benefits for London residents, but it has helped EDF Energy too: improving our understanding of vulnerable customers' needs; strengthening our relationships with London authorities; and helping us to shape our social policies in the most appropriate way.



London Warm Zone carries out door-to-door assessments to understand individuals' needs

Making energy more affordable for vulnerable customers

We know that some of our customers struggle to meet their energy costs and we want to help them if we can. To this end, we set up the EDF Energy Trust in 2003 to make grants to vulnerable customers and organisations who help vulnerable people manage their finances.

The trust is financed by EDF Energy, but operates as a completely independent body. It's governed by a board of independent trustees and managed by Charis Grants, a company specialising in grant management and debt issues.

The EDF Energy Trust has two primary aims: to give people greater control over their finances by reducing the burden of their debts; and to educate people about debt issues and prevention.

Three different kinds of grants are made through the trust: direct grants to individuals to pay energy bills; further assistance payments to finance essential household items such as washing machines or refrigerators; grants to organisations that support vulnerable people.

In 2007, EDF Energy donated £2,450,000 to the trust, which has now made 4,296 separate awards totalling £2,206,908 to be made to families and individuals. Social agencies and other support organisations benefited from a small grants programme in 2007 with 27 agencies receiving grants of up to £1000.

We also deliver energy to vulnerable customers at reduced prices through our Energy Assist scheme. In 2007, some 48,000 customers (59,000 product accounts) received a 15% reduction on standard energy rates through this service and also received useful advice about how to obtain other welfare benefits to which they may be entitled.



The EDF Energy Trust make grants to vulnerable customers and organisations which support customers in debt

We're a customer-focused and customer-driven business. We put the needs of our customers first in every decision we make.



- › Continuity of supply
- › Customer satisfaction
- › Product development

In 7.9 million customer homes and businesses a quarter of the UK's population rely on us to provide reliable and affordable electricity. That's a big responsibility – and with 48,000 kilometres of overhead lines and 134,000 kilometres of underground power cables, a major challenge.

As the UK's largest electricity distribution company, and a leader in our industry, we recognise our obligations to ensure continuity of supply and to manage and develop our power distribution networks to improve services for all our customers. We are taking action on many fronts.

Remote-control and automation

Right now, we're rolling out a programme that will dramatically increase the numbers of remote-controlled switches used on our high voltage circuits. This improves our service for customers because it means our engineers can restore power much more quickly on temporarily damaged circuits.

We're also increasing the use of automated control systems – prioritising circuits that have experienced faults in the past or serve a large number of customers. Our state-of-the-art systems automatically find ways to re-route power across our networks to restore power to as many people as possible, as quickly as possible – often in a matter of minutes.

Emergency supply systems

Our Networks customers can rely on electricity to run vital medical equipment. To ensure their continuity of supply we're working with a leading Fuel Cell company to develop Uninterruptible Power Supplies that provide instantaneous emergency electricity for our vulnerable customers in the case of a power cut. These will go on trial with some of our customers in 2008.



Investing in the network to ensure continuity of supply

Extreme weather events

Throughout 2007, we were involved with other distribution network operations in regular consultations with the regulator Ofgem – discussing ways to collectively improve the resilience of overhead power lines in the face of the changing climate and more extreme UK weather conditions. Every extreme weather event teaches us valuable lessons for the future.

Using technology to guarantee energy supply for our most vulnerable customers

Cuts in electricity supply can have life threatening consequences for vulnerable customers, particularly those who rely on powered medical equipment. We're working in partnership with fuel cell specialists Ceres Power to develop prototype Uninterruptible Power Supply (UPS) devices that could guarantee electricity supply for vulnerable customers, even during power cuts.

Our work with Ceres Power is funded by the Innovation Funding Initiative, a scheme introduced by Ofgem to encourage research and development of new energy solutions.

EDF Energy and Ceres Power are testing two inter-linked designs: a battery powered UPS and a hybrid fuel cell UPS that uses propane gas. The battery UPS completed tests successfully during 2007, providing a number of potential benefits for vulnerable customers: emergency electricity supply to drive medical equipment for around 80 minutes; emergency torch services that switch on when mains power fails; emergency power to boil a kettle for hot drinks.

Further work on the battery UPS is underway to extend the device's capacity. Designs of the prototype for the hybrid fuel cell UPS are now complete and initial tests will take place in the near future.



This fuel cell will support those most at risk of power shortages

Focusing on priority customer care through Project Beacon

In 2005, Ofgem launched the Electricity Distribution Customer Service Reward Scheme, intended to identify and recognise best practice in priority customer care, communications and corporate social responsibility. We welcomed the scheme as a great opportunity to focus our energies in these key areas and improve standards across our business.

To this end, we set up Project Beacon, drawing on the energy and expertise of employees at all levels. We created three project teams to focus on the three key areas highlighted by Ofgem and a steering group to monitor and assess progress. The initiative is sponsored by an Executive Director and led by a senior manager.

Since 2005, Project Beacon has made a major contribution to our thinking in these key areas, initiating an impressive list of actions, including stakeholder workshops with charity and social care partners, promotion of priority care services through hospital radio and talking newspapers, the creation of a dedicated priority care telephone number, service factsheets for customers with literacy and language needs, 'Dealing with Disability' training for employees and research into the use of Uninterruptible Power Supplies to safeguard vulnerable customers.

The Electricity Distribution Customer Service Reward Scheme recognised our achievements in 2006 and 2007, awarding us £300,000 towards our good work in both years.

Project Beacon should be judged a success on many levels. It's helped to improve our customers' awareness of priority services, improved their access to the priority services register and brought many of them closer to charities and agencies that support vulnerable people. At the same time, it's helped us to strengthen our relationships with social agencies, improved the quality of our priority services register and helped EDF Energy employees to improve their service skills.



We are using hospital radio to reach and support our vulnerable customers

We're committed to get things right for our customers. We aim to provide a high quality service and to continuously improve service standards. We made excellent progress in 2007 – improving experience and service for both new and existing customers. This success was reflected in the month-by-month reductions we achieved in Energywatch complaints.

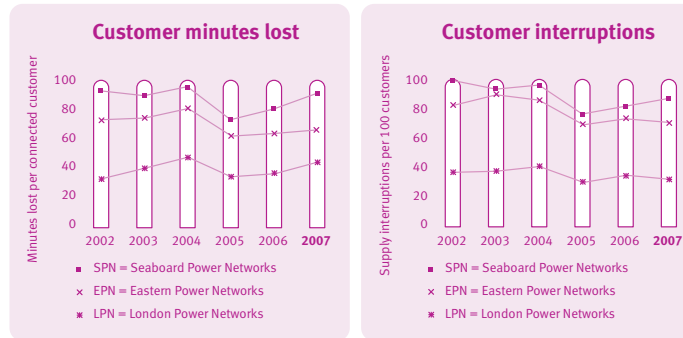
EDF Energy wants to care more for our customers and continually improve customer experience. On Energywatch's domestic customer complaints rankings, EDF Energy is currently ranked third and continually improving.

Our success in 2007 was the result of sound planning and consistent effort. We made a number of improvements to the overall service we offer – including the creation of 'Task Force' teams to investigate the root cause of customer complaints and galvanise service standards. We also improved the way we manage our employees' daily workloads.

Making it easier for customers

We've made it easier for customers to raise concerns. For example, we've improved complaints signposting on our bills and created a dedicated email address that channels all concerns raised to our complaints handling teams. As a result, complaints are now dealt with faster and more effectively. In 2007 we launched a new initiative, offering our customers the chance to discuss their concerns with a customer liaison officer and resolve complaints without the full involvement of Energywatch. The scheme has the full backing of Energywatch.

In 2007, approximately 15000 interviews were held with customers to ascertain opinions on services including billing, value, quality, customer care and brand. In terms of application of results, our billing enhancement was measured with the success by the billing attribute.



The measure for success was Mass Market satisfaction (residential and small businesses customers) to be 74.5% and Major Business satisfaction to be 66%, this was achieved.

Learning from experience

We've improved the way we share knowledge and learn from experience right across our business. We now create an accessible case study following every complaint – highlighting the points at which service fell short of the high standards we expect. These case studies help our employees to resolve future problems and to understand the impact that complaints have on our reputation and competitiveness. We now hold regular complaint reduction and prevention meetings to discuss future customer service improvements.

We'll maintain our focus on standards in 2008 – emphasising the value of prevention. We'll also take an active role in industry-wide discussions about the best way to manage complaints.

We use two measures to assess the performance of our networks, Customer Minutes Lost (CMLs) and Customer Interruptions (CIs). These measures are based on occurrences per 100,000 customers. The lower the number the better the result.

CIs	EPN(*)	LPN(*)	SPN(*)
2007 Performance	70.97	32.74	87.07
2007 Targets Ofgem	87.20	36.20	86.50

CMLs	EPN(*)	LPN(*)	SPN(*)
2007 Performance	66.3	44.2	91.0
2007 Targets Ofgem	70.6	40.1	72.6

In Eastern and London Power Network regions, we were comfortably ahead of the Ofgem targets for Customer Interruptions in 2007.

In South East and London Power Network regions, we did not achieve our target for Customer Minutes Lost because Ofgem targets have tightened year on year more quickly than we have been able to roll out our planned investment in automated switching. This is the process where network intelligence allows us to restore power within minutes from alternative sources and isolate a faulty section without manual intervention. However, the current investment will lead to improvements which will provide the best opportunity to meet these targets.

Networks customer satisfaction

Each month our regulator Ofgem surveys 75 customers in each network area who have telephoned their network operator. They are asked to rate their dealings with us from 1 to 5 (1 being poor and 5 being good) based on politeness, willingness to help, accuracy, usefulness of information and the speed of answering.

	EPN(*)	LPN(*)	SPN(*)
2007	4.18	4.05	4.07
2007 Customer satisfaction	83.6%	81%	81.4%

(*): EPN = Eastern Power Networks'
 LPN = London Power Networks,
 SPN = South East Power Networks

In 2007 we consolidated our network call centre services within our networks areas in the UK with sustainable refurbishment, introducing new telephony technology and improved processes. The refurbished centre began operation in April 2007 and was fully operational by October.



Our team works round the clock to restore power for customers

Making energy easier to understand for our customers

We're determined to help our customers save energy, by making it easier to understand and rewarding them for using it efficiently. 2007 saw the introduction of two new initiatives designed to make energy easier for customers: clearer bills for residential and small medium enterprise customers; and the re-launch of our Read.Reduce.Reward scheme.

Customers received their new easy to read bills from June 2007. They were designed using feedback from customers and employees to be simpler and much easier to understand. They feature three levels of information: a summary page of essential information; a bill breakdown with only essential information; and a detailed information section. They also carry an energy consumption graph, designed to help customers use energy more efficiently – a first for the energy industry in the UK.

Rollout of the bills completes the final objective of our 'clear and simple' billing campaign.

Alongside the new bills, we re-launched 'Read. Reduce. Reward' in 2007. The scheme encourages customers to read their meters and incentivises them to submit readings online in return for Nectar points. It also rewards them for achieving year on year reductions in their energy usage.

UNDERSTANDING YOUR GAS BILL

- 1 The period your bill is for
- 2 Your account number
- 3 Date your payment needs to be received by
- 4 Any relevant messages about your bill will appear here
- 5 Bill summary area
- 6 Graph showing information about your energy consumption
- 7 If your bill has been estimated, it will show here
- 8 Your Nectar points summary
- 9 Your Meter Point Reference Number
- 10 Full bill breakdown (including details of your last bill amount, any payments made, meter readings and other charges such as VAT)
- 11 Further messages regarding your bill

SO SIMPLE. SO EASY.

10

Understanding your gas bill

Learning from experience in our response to extreme weather conditions

On Thursday 18 January 2007 winds gusting at over 80 miles an hour caused widespread damage to our electricity distribution networks. Learning from our experience in dealing with similar situations in the past, we dramatically improved our response mechanisms and reduced recovery times significantly.

We knew the storm was coming thanks to Met Office information, and issued a System Emergency Warning in advance. Normal activities were suspended and we put in place an emergency management structure. Following the storm, a full System Emergency was declared and our repair teams sprung into action while winds still battered the south and east of England.

Around 460,000 customers experienced supply interruptions as the wind caused damage equivalent to two months' normal wear and tear. Over the next four days, our engineers completed 3,500 separate repairs. Impressively, while winds were stronger than during similar storms in 2002, the network stood up to the extreme conditions better and fewer customers were affected. Those who lost power saw it reconnected faster too: over 50% within one hour and 94% in 18 hours. In all, the emergency response took us four days, compared to eight days in 2002.

The storm experience highlighted a number of success stories: impressive teamwork and cross branch working, including contributions from the EDF rapid intervention force in France; the benefits of scouting potential problem areas in advance; the use of satellite navigation; and the ability of our customer service and call centre staff in dealing with customer

enquiries. We received 300,000 calls during the four day emergency, with volume levels 30 times higher than normal on January 18; and yet, no callers received an 'engaged' signal throughout the day – a major complaint in 2002.

Our customer relations team rose to the challenge too, using their long standing relationship with the WRVS to make sure vulnerable customers were attended to during the emergency.

We're proud of our improved response performance, but also determined to learn lessons that can be applied during similar crisis situations in future.



In the field: Vincent de Rivaz and Geoff Pierson view the damage to a power line brought down by trees

If we want to stay ahead of our competitors, and become the leading energy company in terms of sustainability, energy efficiency and carbon reduction, we must offer our customers new, innovative products that exceed their expectations.

Against a backdrop of volatile prices and fierce competition that saw energy prices [falling] across the industry, customers product accounts ended the year at 5.5 million. Product innovation played a key part in maintaining our customer product numbers.

Making 'green' easier for customers

We have an increased range of green products on offer for customers, including those based on new technologies, such as smart meters.

Our customers make a difference through our Green Tariff and associated Green Fund. Over the past year we've allocated £800,000 from the Green Fund to 40 renewable projects. Our Climate Balance allows customers to help offset their carbon emissions associated with their electricity and gas consumption by paying a small contribution on their tariff which is then invested in carbon reduction initiatives.

We've made bills easier to read and understand with our Clear Bill initiative, and offer advice about domestic energy efficiency free of charge through a new dedicated Green Customer Services Team.

Our Read.Reduce. Reward. scheme help customers save energy and money. It encourages them to provide meter readings and monitor energy use, offering Nectar points to those who those who register readings online. We also offer customers the chance to buy energy efficient household goods online at our energy superstore and encourage them to sign up for e-billing.

Our product offers mirror our broader corporate sustainability objectives and are currently supported by our new UK-wide advertising campaign 'Save Today. Save Tomorrow.' Launched in January 2008, this campaign uses press and TV advertising to engage with customers. The message is clear: 'It is not easy being green' But EDF Energy can help you save energy and money today and tomorrow.

Product Development Innovation Group

Our Product Development Innovation Group (PDIG) is based at Sussex University. Now in its third year of operation, PDIG develops innovative customer propositions based on new technologies, working closely with EDF research and development teams in France.

PDIG focuses on products that can help customers become more energy efficient. Over the past two years, it has brought a number of innovative offers to market, including a micro-wind power solution that started initial trials in late 2007. Its focus in 2008 is on the development of solar solutions and air and ground source heat pumps, which could be used on new building projects and retrofitted to power existing structures.

Through its work with EDF research and development teams in France, PDIG is exploring the potential of wind turbines, solar PV and solar thermal systems as well as fuel cells and electric vehicles.



Our wind turbines are set to become a common sight on residential rooftops

Rewarding customer loyalty with Nectar points

As the only energy supplier to offer its customers Nectar points, we're working hard to reward customers for their loyalty. We're also using Nectar schemes to encourage energy efficiency and help our customers to 'go green'.

At present, over 46% of our residential customers and 27% of SME customers are registered to collect Nectar points on their energy accounts. We aim to increase these totals during 2008. In 2007, our customers earned over 2 billion Nectar points in total – equivalent to 45,000 trips to Paris on Eurostar and 350,000 trees planted by www.treestomydoor.com

We're introducing a new Nectar 'annual claims bonus' scheme in 2008, adding to an already impressive range of Nectar options. These include: Read. Reduce. Reward – a scheme that awards additional Nectar points to customers who submit meter readings and reduce their use of energy; prompt payment nectar points and points awarded to customers who've decided to contribute to carbon mitigation projects through our Climate Balance tariff. In addition, dual fuel customers are also given nectar points too.

EDF Energy Nectar scheme: rewarding customers for cutting their bill

Our employees are the key to our present and future success so it makes absolute sense to invest in their health, wellbeing and professional development.



- › Occupational health and wellbeing
- › Pensions
- › Employee engagement
- › Training and development
- › Recruitment
- › Diversity

We believe that effective occupational health management can help to reduce levels of work related ill health and days lost through sickness, while also improving the wellbeing and productivity of our employees.

Occupational health (OH), including physiotherapy, ergonomics, clinical psychology, health data analysis and the prevention and treatment of musculoskeletal conditions, is now an integral part of our business. OH criteria are now included in each of our Health and Safety Standards as they undergo review.

Our OH team made a positive contribution throughout 2007, working towards three key objectives:

- Reduction in incidence of work related ill health
- Reduction in days lost through work related ill health
- Improved employee health and wellbeing

Work related ill health

We've achieved tangible improvements by managing musculoskeletal and mental health risks, reducing incidence rates over the past four years. This is measured using the "Work Causal Ill Health Rate" calculated as "number of incidence per 1000 employees".

Year	Work Causal Ill Health Rate (number of incidence per 1000 employees)
2004	1.68
2005	1.44
2006	1.03
2007	0.49

Improvements are due to the broad ergonomic advice provided by the OH team – covering job design, risk assessments and ways to avoid work stressors. Several equipment and software trials have been completed and the team has also run 'Back in shape' courses and stress awareness sessions.

Days lost through work related ill health

Over the past 12 months, we have introduced better OH performance reporting systems at branch level, new processes for recording work related absences and reviewed our Workplace Rehabilitation Policy. Improved communication between OH, human resources (HR), management and employees, combined with 'fast track' access to OH services, have improved our treatment of musculoskeletal and mental ill health problems. For example, a survey at our Worthing site found that 63% of employees believed their access to a trialled on-site physiotherapy service helped them avoid sickness absence, while the number of employees absent when treated by our psychological service fell from 28% in 2003 to 11.6% in 2007. The number of employees off work when they accessed the psychological services of EDF Energy's Employee Support Programme also fell, from 11.6% in 2006 to 10% in 2007.

Employee health and wellbeing

Branch Health Awareness Groups, including participants from OH, HR, Health & Safety, Unions and management, provided the impetus behind a co-ordinated programme of health promotion initiatives. These included Fit Clubs, Fruity Fridays, quit smoking courses and blood pressure and stress awareness weeks.

2007 also saw the launch of our OH intranet page and our Chief Medical Officer and Chief HSE Officer coming together to run health and safety sessions for our 'top 300 managers' at the EDF Energy Executive Roadshow.



An employee works out in the centre at our Doxford office

Winning recognition for our innovative health, work and wellbeing employee initiatives

We were delighted to win the Department of Work and Pensions 'Health, work and wellbeing' award for 2007 – in recognition of our ongoing efforts to tackle the causes and consequences of psychological ill health at work.

We're well aware that psychological ill health presents a major challenge to businesses and health professionals. It contributes to sickness absence and ill health retirement. Psychological illnesses can be costly too – increasing the risk of accidents in or out of work and causing distress to sufferers, family members, colleagues and the wider community.

To tackle the issue, we developed an innovative approach to psychological ill health with our Employee Support Programme (ESP) – based on a partnership between EDF Energy Occupational Health and a psychology service. The programme delivers fast access to treatment and advice for all EDF Energy employees.

The confidential service covers the full spectrum of work and non-work related psychological conditions – delivering clear benefits for all involved. The number of people already off work when referred to the ESP went down from 28% in 2003 to 10% in 2007 and we've recorded no psychological ill health retirements for two years.

The programme also offers a 'round table' discussion service (including employees, ESP, Occupational Health, managers and HR representatives) to make it easier for employees absent with psychological illnesses to come back to work. There is a strong learning element too – with company-wide focus groups being conducted to help to identify risk areas

and issues across our branches. Feedback from these workshops has highlighted 'change' as a stressful experience for many employees; as a result, a series of innovative change management programmes have been introduced to help managers and employees deal with change more effectively.



Dr Margaret Samuel, Chief Medical Officer, leads our occupational health team

We need our people to achieve sustainable success and value their wellbeing. As part of our commitment to make EDF Energy a great place to work we aim to provide all our employees with a pension that allows them to plan for a financially secure retirement and protects them while they're still at work.

We sponsor two final salary pension schemes:

- The EDF Energy Group of the Electricity Supply Pension Scheme (ESPS Group)
- The EDF Energy Pension Scheme (EEPS)

ESPS Group scheme

ESPS Group is part of an industry-wide scheme that has been in place for many years. The scheme is closed to new members and at the end of its last full year ESPS Group held assets of £2.3 billion.

	ESPS Group Scheme
Active members	4,486
Pensioners	8,916
Dependants	3,272
Deferred pensioners	4,161

EEPS scheme

In 2004, EDF Energy took the bold step of creating a new final salary pension scheme when pretty much the rest of the UK industry was closing theirs. It was felt that it was not sustainable to leave final pension benefits simply at the mercy of market conditions on retirement.

EEPS was created through the merger of several pension schemes sponsored by London Electricity and SEEBOARD. All EEPS members have a core pension entitlement, but can also pay higher contributions towards a higher final pension.

New employees are automatically enrolled in EEPS the day they join EDF Energy and more of our employees now belong to this scheme. At the end of its last full year EEPS held assets of £108 million.

	EEPS Scheme membership
Active members	6,653
Pensioners	67
Dependants	1,492

Further information about both schemes is available in their respective annual reports, both of which are independently audited.

We're committed to make EDF Energy a great place to work. To keep our commitment we must promote positive employee relations – engaging employees in achievements and objectives.

Three key objectives are at the heart of our strategy to achieve positive employee relations:

- build and maintain stable, co-operative relationships with all our employees
- engage our employees and win their commitment through constructive dialogue
- develop 'mutuality' – a common interest in achieving EDF Energy's goals based on shared values

Mutual trust, respect and honesty on all sides are essential to constructive employee relations. Engaging employees and involving them in dialogue is a key part of every EDF Energy manager's leadership role; Building effective relationships with Trade Union representatives is equally vital.

Almost two thirds of our employees work under collectively bargained terms and conditions, so ongoing, constructive engagement with Trade Union representatives is a priority for us. Negotiation, consultation and information sharing takes place at branch level through formally constituted forums involving representatives and EDF Energy managers.

Focussing consultation and negotiation at branch level ensures the active involvement of line managers and ensures that those involved in discussions are 'close to the issues'. In addition, the EDF Energy National Works Council Secretariat and the European Works Council both play a consultative role, at national and Group level respectively.



No shortage of ideas: team members' discussion

Helping our employees to diffuse potential conflicts

Our employees sometimes run the risk of physical or verbal assault from customers while at work. We take all cases of verbal or physical assault seriously and provide appropriate help to employees to deal with the risk they face. When they asked us to do even more, we responded by piloting a course designed to improve their risk awareness and physical defence skills.

The course was run in partnership with an organisation called 'Dfuse'. It was designed to equip employees with the techniques needed to diffuse confrontational situations and stop them escalating into abusive or violent incidents. The programme also included a self-defence element.

Feedback from employees who attended the course was 100% positive – with all participants agreeing that the course had achieved its objectives. We've subsequently worked with Dfuse to make the course flexible enough to meet the needs of customer facing staff and employees working in offices who may also benefit from the confidence boost it provides.

Our employees can clearly benefit from conflict training. In addition, for every course we initiate, Dfuse have agreed to provide a free course for a community group of our choice.



Training to help our employees deal with the potential risks they face

EDF Energy recognises that what our people do can make the difference between being a successful company and one that falls short of expectations – so investing in their development makes good sense. We believe that motivated, inspired employees deliver a better service for customers and more innovative solutions for our business. Their energy and achievements help us to attract the most talented people into EDF Energy.

We sustained our efforts to make EDF Energy a learning business and a great place to work throughout 2007.

Skills Pledge

In June 2007, we signed the Skills Pledge, as promoted by the UK Government, a voluntary commitment to support our employees in developing their basic skills, including literacy and numeracy, by working towards relevant and valuable qualifications at Level 2 (5 Good GCSEs) or above.

Investors in People

We were awarded company wide Investors in People (IIP) recognition in November 2007, the culmination of four years structured effort that reflects our corporate standards. The IIP standard is a business tool designed to improve an organisation's performance through its people. Being recognised as an IIP organisation will ensure EDF Energy is viewed as a business which values its employees and will help it attract the best quality job applicants.

The standard is a good validation of the strengths in the business and these are routes through which we can address other issues, such as our renewed focus on safety through the current Zero Harm campaign.

We will review our performance every year to make sure we retain Investors in People recognition.

Employee opinion survey

We run an annual opinion survey to gauge employee satisfaction levels across a range of issues. The results tell us what our employees think and help us to set priorities for future improvements.

In all, 71% of our employees responded to the Employee Opinion Survey in 2007, recording an average satisfaction level of 75.1% – up 2% points on 2006 and up 19.7% points compared to our first survey in 2003. Given the challenges we faced in 2007, this is a significant achievement.

Communication skills

Responding to views shared through our employee opinion survey, we launched a Communication Skills workshop for managers in 2007. To date, approximately 300 of our key communicators have attended the workshop, with another 1500 set to do so in 2008.

As part of our Integrated Management Development Programmes, we've also launched a number of separate training courses, covering topics such as negotiation, influence and persuasion, assertiveness and listening skills, to help our employees improve their interpersonal skills.

Finance training

In line with one of our key management competencies 'managing finance', we launched Finance Training in October 2007, to help managers build a better understanding of the key drivers of profitability and critical financial indicators for EDF Energy.



Learning for all

As part of our "great place to work" philosophy, EDF Energy has a policy of Learning for All to encourage

personal development. All employees are eligible for up to £150 per year to study non-vocational or vocational subjects in their own time.

While the course does not have to be work-related, the programme must have a recognisable learning and educational content, and must be offered by a recognised educational establishment.

In 2007, over 500 employees took part in the Learning For All scheme and we look forward to being able to support more employees in future years.

Talent management and succession planning

We've put in place an integrated development framework to identify and support the most talented and ambitious individuals in EDF Energy. This is in line with our ambition to provide a steady pipeline of new talent to move through our business and into key leadership roles.

Winning recognition for the effectiveness of our Leadership Development Programme

The EDF Energy Leadership Development Programme has won a National Training Award – the UK's leading accolade for businesses, organisations and individuals who've achieved lasting excellence and success through training and learning.

The Leadership Development Programme was developed by a cross-business project team, which worked closely with training providers Forum Europe. The programme, based on our '4i's' Leadership Framework – Inspiration, Involvement, Integrity and Impact, is in place to help our managers meet future business challenges by acquiring new leadership skills.

The National Training Awards selects winners who demonstrate good people development and outstanding results from their actions. The success of our Leadership Development Programme was a deciding factor in this respect – with exceptional results achieved during 2007.

The programme scores well in terms of return on investment. Of 640 polled participants, 80% felt that their performance had been improved by taking part, with 25% reporting financial savings too. Estimates ranged from £300 to £300,000 saved over one year. We estimate that savings achieved per participant are probably around £3,300 – a good return on a programme that costs only £1,000 per participant to run.



Our leadership development programme was praised at the national training award for 2007

People are the most valuable asset for any business. In the current 'competition for talent' we use a wide variety of tactics to attract, select and recruit the best people into EDF Energy.

In 2007 we received over 13,000 applications for posts in EDF Energy, a significant increase on 2006. We used a number of methods, to attract, recruit and select talented people. Our employment policies ensure compliance with all UK employment legislation and with Human Right Act.

Graduate recruitment

Our successful graduate recruitment campaign continued throughout 2007, with 26 new graduates joining us from a range of disciplines.

Apprenticeships

We continued to recruit apprentices and adult trainees into our Networks branch through the Advanced Modern Apprenticeship programme, and started preparatory work for a new training centre at Risby. An Ofsted inspection completed in 2007 stated that: 'EDF Energy provides particularly good practical specialist resources.'

Power Academy

We've teamed up with other network companies and the Institution of Engineering and Technology to support the Power Academy, a training initiative that has supported 27 undergraduates within EDF Energy to date. 2008 will see the first graduations from this programme



2007 intake of Networks Branch graduates

Technical recruitment

The power industry is facing a technical skills shortage, at a time when massive infrastructure projects such as the 2012 Olympic and Paralympics Games have dramatically increased the need for people with the right technical skills. The strength of the EDF Energy brand helped us to attract skilled technicians in 2007 and we will work hard to recruit more in 2008.

Schools

We work closely with schools and educational organisations to support and promote our business. This is one way to lay a 'pipeline' for future talent and we'll continue to do so in 2008 and beyond.

Investing in future talent through Power Academy

Along with other energy businesses we face the reality of a 'skills gap', with qualified and experienced engineers reaching retirement age and fewer young people studying relevant technical subjects, at a time when pressure on our networks has never been higher or the need to develop, operate and maintain innovative technologies more pressing.

To address the problem, we're supporting university students on engineering degree courses through the Power Academy – an initiative backed by 17 UK companies and six universities; run by the Institute of Electrical Engineering and Technology to ensure a steady stream of talent for the future.

We support students in a tangible way – offering scholarships, help with fees, cash for living expenses, paid holiday placements and long-term career prospects. In 2007, we gave 7 Power Academy students supported by EDF Energy the chance to attend a seminar attended by sponsoring companies along with government, industry and academic representatives. The seminar gave participants the chance to discuss issues facing industry, visit London sites to assess the scale and complexity of current network projects.



Bridging the skills gap : EDF Energy Power Academy students

We want our business to reflect the diversity of the communities that we serve. We are fully committed to a policy of fair and equal treatment of all employees and job applicants, irrespective of their age, colour, disability, ethnic origin, gender, gender reassignment, marital status, nationality, race, religion or belief, sexual orientation or on the basis of part time working. We recognise and accept that we have more to do in this area and are determined to succeed.

We recognise that we have a long way to go on our diversity journey and have a limited understanding of our employee base so we've made 'diversity and inclusion' one of our areas for action. Over the past 13 months, we've held meetings with leading external diversity consultancies and recognised best practice leaders to help us develop our own diversity action plan – due to be launched in 2008 through our Diversity Action Group.

We currently take part in a number of diversity initiatives across the UK. We participate in both the BITC Race for Opportunity and Opportunity Now benchmarking surveys and are set to join the CIPD Diversity Network, recently formed to promote best practice in diversity.

In 2007, we hosted an 'Employers Forum on Disability', which considered ways to improve website accessibility. Looking ahead to 2008, we're participating in a number of Group-wide initiatives to raise the profile and reinforce the importance of diversity and inclusion.



Team meeting in EDF Energy

We play an active role in local communities and encourage our employees to do the same through our wide ranging community programme. As members of the London Benchmarking Group (LBG) we manage, measure and report on the impact of our community activities using recognised best practice guidelines. Helping Hands

Helping Hands

Through our volunteering programme, Helping Hands, we give every EDF Energy employee two paid days, twice the UK Government recommended entitlement, to get involved in community-based activities. Some work with local charities or social groups; others donate their energy and expertise to good causes.

Mencap – our charity partner

We started working with Mencap, the UK's leading learning disability charity, in 2005. Since then, our employees have raised an estimated £419,000, to which we've added matched funding of £300,000, making a total donation of £719,000 to Mencap over three years. The money raised has helped to fund a health, diet and exercise initiative called ENERGEISE. Without a doubt, our three-year partnership with Mencap has helped us to understand the needs of customers and employees with learning disabilities much better – and take positive steps to help them.

Matched funding and payroll giving

Over 900 EDF Energy employees make regular charitable donations through our Payroll Giving scheme, supporting more than 156 charities. We contribute up to £100,000 in matched funding to our charity partner Mencap every year; we also match funds raised by any employee up to a maximum of £100 a year. We received 431 applications for personal matched funding in 2007.

Education

We support education through our 'Crucial Crew' and 'Junior Citizen' programmes. A team of six advisers, supported by volunteers, works in schools and at public events (often in partnership with the Police, Fire Service, Ambulance Service and rail operators) to educate children about the dangers of playing in high risk areas such as substations or rail networks. At our West Burton Discovery Centre, we offer free environmental education to schools.

EDF Energy Community Award

In 2007 we launched the EDF Energy Community Award, open to all schools and colleges participating in the 2007 Excellence in Exeter Awards, to recognise young people's ideas about how to 'make a difference' for their schools, colleges or local communities.

Employer of the year 2007

Our Doxford office on Wearside won an 'Employer of the Year 2007' award run by a local newspaper. The award recognises our commitment to employees – most of whom live in the local community.



Helping Hands, volunteering programme

London Benchmarking Group assurance statement – EDF Energy

EDF Energy is an active member of the London Benchmarking Group (LBG). The LBG model helps businesses to improve the management, measurement and reporting of their charitable community involvement programmes. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and for the business.

As managers of the Group, we have worked with EDF Energy to ensure that it understands the LBG model and applies its principles to the measurement of community involvement programmes. Having conducted our assessment, we are satisfied that this has been achieved. Our work has not extended to an independent audit of the data.

The Corporate Citizenship Company

Introducing a new generation of youngsters to rugby in a fun way

A national schools initiative backed by EDF Energy is introducing children to the sport of rugby in a fun and safe way – bringing obvious health, co-ordination and team-building benefits.

Since its launch in January 2007, more than 40,000 children have been given the chance to learn and play tag rugby through the EDF Energy National Schools Rugby Programme. Tag rugby is a non-contact version of the sport that teaches the skills needed to play the full game in the future. Our programme is open to boys and girls and runs through to the end of the school year in 2009.

Every Guinness Premiership side in the UK, along with the National League One clubs Cornish Pirates and Exeter Chiefs, is involved – contributing time and volunteers to run a six-week tag rugby training programme suitable for 8-10 year olds. EDF Energy supplies all the equipment needed, including tag belts and balls, which schools can keep for future use.

The government has recognised the programme's success, awarding a grant of almost £200,000 in July 2007, so even more schools and children will be able to join the programme over the next two years. This initiative complements our role as Premier Rugby's Community Partner and our commitment to support the game at a grassroots level while also sponsoring the EDF Energy Cup and other major trophies.



Young rugby players show off their skills in EDF Energy Schools programme

Helping young people make a difference to their local community

As part of the 2007 Excellence in Exeter Awards for schools and colleges, we backed the 'EDF Energy Community Award' – giving young people the opportunity to win financial support and practical assistance for community-based ideas with real potential to 'make a difference'.

We've committed to be a safe and responsible business – for customers and the environment. This award helps us to meet our commitments by investing in the local community.

The EDF Energy Award was open to all schools and colleges participating in the Excellence in Exeter Awards – eight academic institutions in total. Our One Planet Ambassadors helped entrants to prepare their initial applications; volunteers from our Helping Hands programme contributed their time and energy to help the winning entry 'go live'.

The standard of entries was extremely high, and the Award was won by the Ellen Tinkham school; a specialist unit attended by 116 students aged from 3-19 years, all of whom have severe or profound difficulties. Their entry proposed the creation of market gardening enterprise on a wasteland area, with plans to involve the entire school population over time.

Early work is being completed with help from students at a local agricultural college, but over time, school students will become more involved in the production of produce for their own consumption, for the school kitchen and to sell at a local market. The proposal was judged a winner on every level – social, educational and environmental.



2007 Excellence in Exeter Awards for schools and colleges

Investing in employees as 'Employer of the year' and 'Business of the year'

EDF Energy Doxford has been named 'Employer of the year' and 'Business of the year' in the Sunderland Echo PORTfolio Awards for 2007. We also won the 'Employer of the year' award in 2006.

The 'Employer of the year' award recognises all round achievement in several areas: training, services and facilities for staff, reward schemes, development opportunities and progress made over the previous 12 months. It also takes into account entrant's sustainability ambitions.

Our award submission provided evidence of our progress in all these areas, including: details of our 'Welcome programme' for new recruits and other training and development initiatives; evidence of the opportunities available to employees (our current Director of Customer Account Management started out as a call centre advisor); the breadth of facilities at Doxford (including gym, library, internet café and health facilities); and the positive impact of internal reward schemes such as our Customer Services Excellence Awards and Reward & Recognition schemes for all employees who receive letters of thanks for customers.

We also provided examples of our environmental credentials, explaining how our recycling, paper saving and green travel plans work.

The PORTfolio Award judges were positive in their praise: 'It is the combination of commitment to the local community and their staff, and the high levels of customer service and satisfaction achieved, which have won this Wearside Company this high accolade.'



EDF Energy Doxford has been named 'Employer of the year' and 'Business of the year' in the Sunderland PORTfolio Awards for 2007

Taking to the road to raise money and awareness for Mencap

As part of our charity partnership with Mencap, a number of EDF Energy employees donned cycling gear and got on their bikes in July 2007 to raise money for the charity and support green transport initiatives.

The 'Big wheel of Kent' – a sponsored cycle ride from Maidstone to Canterbury took place on 1 July 2007. Over 30 riders participated, including several EDF Energy employees from our Maidstone office and MENCAP's chief executive Dame Jo Williams.

Our participating employees raised over £2,000 in sponsorship – with this total being matched by EDF Energy. Over the past three years, EDF Energy employees have raised around £419,000 to support Mencap, with a further £300,000 being donated through our matched giving scheme.

The Big wheel of Kent clearly provided much-needed support for a charity that works hard on behalf of people with learning disabilities – but EDF Energy riders also took every opportunity to spread the word about the 'green' benefits of cycling, our range of energy saving products and Our Climate Commitments.

Dame Jo Williams has stated that: 'Mencap is very proud of our partnership with EDF Energy and the work they have done in tailoring services and supporting people with a learning disability.'



EDF Energy employees raise money for charity partner Mencap

We need the support of our suppliers to meet our commitments and achieve our sustainability objectives. We're working hard to engage them in the common issues we face. We want to move forward in partnership with them.



- › Ethical procurement
- › Energy related products

We've made a clear commitment to procure products and services from suppliers in a responsible and sustainable way. We demonstrated the strength of our commitment throughout 2007, taking steps to improve our processes in line with best practice and provide appropriate training for our employees. We worked in partnership with other utility providers to make responsible procurement a priority for our industry.

Ethical Procurement Policy

We strengthened our existing Ethical Procurement Policy in 2007, with the introduction of a new Labour Standards Risk Assessment model into our standard procurement processes. The model, developed in partnership with other utility organisations during 2006, was rolled out to procurement professionals through a series of 'Responsible Procurement' training events.

As stated in Our Social Commitments, by 2012 we will ensure that all our suppliers comply with the UN Global Compact principles or are meeting satisfactory progress towards 100% compliance. As a UK company, there are a number of employment related regulation and laws that we adhere to. This relates to our duty of care to employees and contractors, regarding discrimination, equal opportunities and child labour issues.

80 of approximately 2000 contracted suppliers have completed our Labour Standards Assessment. We sent all of our high risk suppliers our Ambition Alignment Questionnaire and around 40 were completed. These have been made available to the buyers responsible for these strategic relationships to feed into supplier meetings and other related activities.



Our procurement team was recognised at the CIPS Supply Management Awards 2007

We hosted a half day event for Chartered Institute of Purchasing & Supply (CIPS) members in September 2007, during which we outlined our approach to responsible procurement and discussed the sustainable procurement opportunities presented by the ongoing regeneration of East London. The event centred around EDF Energy's Capital Programme which was recognised as the 'Best Cross Functional Teamwork Project' at the CIPS Supply Management Awards 2007..

Procurement training

We ran a responsible procurement training programme to refresh our procurement team's understanding of corporate responsibility issues and practices in the energy sector. The programme also gave team members the chance to discuss a range of relevant issues.

Working in partnership

We maintained our support for a sector-wide approach to supply chain issues, participating in a corporate responsibility focus group facilitated by Achilles Information Ltd. The focus group was set up to share best practice, develop a consistent approach to corporate responsibility issues among utility organisations and to develop a practical corporate responsibility audit model for use by utility organisations. The focus group will continue to meet during 2008, with a pilot corporate responsibility audit methodology set to be trialled across 30 suppliers early in the year.

Reaping the benefits of our long-term commitment to suppliers

Prysmian Cable, one of our major suppliers, has switched manufacturing operations from France to the UK – a decision based in no small part on our long-term commitment to this key relationship.

Thinking and building for the long-term is central to our commitment to customers, clients and suppliers.

We've developed a Supplier Management Plan to help us maximise mutual benefit from all our strategic alliances with key suppliers and this approach is paying dividends. For example, Prysmian Cable (formerly Pirelli), is in the process of switching production capacity from France to Wrexham in the UK – mainly on the strength of our long-term commitment to their business.

Prysmian Cable is one of our largest suppliers and our business represents a significant part of their UK turnover, so the switch makes sense for both parties. It also demonstrates the benefits that can be achieved by working hard to get logistics, supply chain and supplier relationships right.



Triplex cable

As an integrated energy business, involved in generation, networks and supply, we buy a wide range of energy related products – most involving a complex supply chain. We're working hard to develop and adopt sustainable fuel procurement processes.

Coal and gas

The coal supply chain involves potential environmental, social and economic impacts. To secure supply we buy coal in the UK and abroad, in roughly equal volumes. EDF Trading, our sister company, buys imported coal and gas purchased on the forward market for us; our wholesale markets team buys UK coal and biomass.

We're working with EDF Trading to integrate the UN Global Compact framework on environmental and labour standards into the procurement process by 2012.

EDF Energy UK coal and biomass purchasing activities are overseen by the Energy Counterparty Review Committee. The Committee assesses the risks associated with each of these energy trading partners and we include sustainability assessments in the processes. Assessments are based on UN Global Compact criteria and carried out by a specialist business, Innovest Strategic Investors Ltd.

Over the last months we've assessed the fuel suppliers we deal with as part of our annual review processes, working closely with Innovest. Early in 2007 we extended our reviews to cover our largest supply business customers too.

Biomass

Our power stations have used biomass since 2004. It comes from various sources – woodchip, olive cake, sunflower husks and locally grown willow. We're currently reviewing our local and international biomass procurement processes.



Trains deliver coal from the port of Tyne in Newcastle to our power stations

C02 Emissions allowances

EDF Trading buys and sells EUAs (European Union Allowances) for us. The EDF Group has set up a Carbon Fund, managed by EDF Trading, for all European affiliates who require certified emissions reduction (CERs). The fund reduces the cost of carbon allowances and supports carbon reduction projects in emerging countries. With a buying capacity of around 300 million euros, the EDF Carbon Fund is a leader in the trading sector.

Renewables

We are a major renewable electricity supplier in the UK. We are developing our own renewable assets and working in partnership with others to deliver against our Renewable Obligations, Fuel Mix Disclosure requirements and customer demand for renewable sourced electricity. We source the renewable energy to meet our obligations and meet our customer demands in a number of different ways: from our own assets, purchase contracts with third parties, the wholesale market and Non Fossil Fuel Purchasing

Agency web-based auctions. The NFPA auctions the output from generators contracted under the England and Wales Non-Fossil Fuel Obligation (NFFO) and the equivalent Scottish contracts that were put in place prior to the introduction of the Renewable Obligation in 2002. They hold two power auctions per annum which award contracts for a six month periods that allows parties to bid for the electricity, ROC, LEC and REGOs associated with the individual generator output. In addition they hold ROC only auctions on a quarterly basis which include ROCs associated with the Northern Ireland equivalent to the England and Wales/Scottish arrangements.

Climate change is the most pressing environmental issue of our age. We've made a clear commitment to be part of the solution and are working hard to transform EDF Energy into a sustainable, low-carbon business. But we face other issues too – waste management, resource use, air emissions, water use and the impact of our networks.

“We play a leading industry role in the development of new environmental and climate change policy by engaging with Government to deliver effective and efficient legislation.”

Martin Lawrence, Chief Operating Officer, Energy Branch

Stakeholders will judge us on our environmental performance. We're happy for this to happen and we've set out ambitious performance targets on key issues such as climate change and biodiversity.



- › Environmental management
- › Suppliers

As a UK leader in energy generation, networks and supply our operations impact on the environment in many different ways. To monitor, manage and minimise our impacts right across our business we use an ISO14001 environmental management system.

Environmental priorities

Through our ISO14001 environmental management system (EMS) we've prioritised seven key environmental challenges:

- Achieve a sustainable energy supply
- Waste management and reduction
- Water and ground pollution
- Air pollutant emissions
- Resource use
- Ecological impacts and environmental 'nuisance'
- Climate change

We use our EMS to manage our own impacts and work with suppliers to make sure they meet our required environmental standards. We prefer to work with suppliers who share our environmental concerns and, where appropriate, have ISO14001 accreditation. We complete annual environmental audits on some of our suppliers. Most of the audits are undertaken using the procurement database Achilles with its associated verification function.

Environmental reporting

We will introduce a new reporting methodology in 2008. It will provide information about the severity and potential impact of environmental incidents, rather than only recording the number of incidents that occur. This improvement reflects our commitment to sustainability.

Environmental incidents in 2007

During the year, we received 92 environmental complaints, relating to noise, graffiti, fly-tipping on our land and other nuisance factors. Our employees reported 276 environmental near-misses and hazards. Most incidents were caused by events outside our control, such as lightning strikes or vandalism. We had nine reportable incidents. Six of the incidents were reportable breaches of our IPPC permits for our power stations, and the remaining three incidents related to oil spills that we had to contain and clean up. There were no environmental prosecutions in 2007 and we haven't received any fines.

	Recorded incidents	Reportable incidents	Complaints	Prosecutions
2005	350	13	96	0
2006	429	26	117	0
2007	276	9	92	0
% change between 2006 and 2007	-36%	-65%	-21%	0

As a business that buys a number of different chemical products, and manufactures ash and gypsum as by-products, we recognise the need to make sure the chemicals we buy or sell meet all environmental and safety requirements. We're working with our suppliers to make sure we can meet the standards set down by the REACH – the new regulations governing the use of chemicals in the European Union.

REACH

REACH (Registration, Evaluation and Authorisation of Chemicals) came into force on 1 June 2007, replacing a number of different directives and regulations with a single system. REACH makes businesses responsible for showing that the chemicals they use are safe and requires all substances to be registered with the European Chemicals Agency, ECHA.

How REACH affects us

REACH has an impact on our business in two ways: first, as a producer of ash and gypsum; second, as a business that uses chemicals.

We produce ash and gypsum at our coal fired power stations as a by-product. It is sold for use in the manufacture of cement and building products, reducing use of raw materials and helping us to meet Our Climate Commitments. As the producer, we must register them with ECHA and provide data about any environmental or health hazards associated with them. We're working with industry partners to test, assess and register ash and gypsum from power stations. At present we're not aware that either product presents health or environmental risks. The proposed timetable for registration with ECHA is shown below.

We are participating in an industry registration exercise for REACH for both ash and gypsum through the coal station operators' Joint Environmental Programme (JEP). The intention is to utilise a European-level registration for both of these materials. Work is in progress to prepare the necessary submissions. On a day to day basis, the risks arising from ash and gypsum handling are managed by the relevant operational procedures under the overall HSE management system on each station. The main risks are those arising from handling of any large volume of potentially dusty material.

We have to make sure that the chemicals we use are registered with ECHA. We will use our procurement processes to do this. Chemicals classified as 'substances of high concern' (which may cause significant harm to humans, animals or the environment) must be authorised before they're used. We'll look for safer alternatives to these substances and phase out their use over time. If there are no safer alternatives, we'll work with suppliers to make sure they're ECHA registered and used sparingly (for example, in pesticides – covered by our Pesticide Protocol).

During the first half of 2008, we aim to update our procurement policy in line with REACH and assess the chemicals we use to identify those of high concern and those we intend to phase out.

Activity	Final registration date	Action
Phased-in approach for the registration of substances. (They cannot be imported/ manufactured/ marketed unless pre-registered)	1 December 2010	Registration of ash and gypsum with ECHA
Non-waste ash pre-registration	1 June 2008 to 31 November 2008	For each chemical it will be necessary to supply the following information to the ECHA: name of the chemical including an identifying number (eg. CAS) <ul style="list-style-type: none"> • company's name and address • a contact name • timetable for full registration • tonnage band; • identify chemicals with similar properties to provide evidence on hazards/ toxicity
Non-waste gypsum pre-registration	1 June 2008 to 31 November 2008	as above

Climate change is arguably the single most important global issue of the 21st century. Our Climate Commitments set out ambitious carbon emissions reduction targets for every part of EDF Energy.



- › Generation
- › Operations
- › Customers
- › Employees

We're committed to cut carbon emissions right across our business – including our power stations. We're also investing in renewable and low-carbon generation technologies.

Generation emissions in 2007

In 2007, our three large power stations (two coal-fired, one gas-fired) produced a total of 26.6 TWh of electricity, with CO₂ emissions of 21.5 million tonnes; equivalent to 825.9 kilo tonnes of CO₂ for every TWh of electricity produced. Our three CHP plants recorded CO₂ emissions of 86,184 tonnes. Several factors determine levels of CO₂ emissions from our plants, including consumer demand, performance efficiency and the relative prices of carbon, gas and coal.

EDF Energy operates in a competitive market, where the price of carbon is integrated into daily operational and forward planning decisions. A number of factors determine CO₂ emissions from our plant. These include the level of national consumer demand for electricity and the relative prices of carbon, gas and coal. In the last quarter of 2007 we saw higher gas prices that moved the market in favour of coal-fired stations. In addition, a reduction in capacity on the UK electricity system caused by the closure of the two oldest nuclear stations combined with nuclear outages towards the end of 2007, resulted in increased in generation from the available coal and gas fired plants including the EDF Energy stations. Both these factors led to an increase in CO₂ emissions from EDF Energy's stations.

During the year we installed the last two flue gas desulphurisation units at our coal-fired power stations. They will remove over 90% of the sulphur dioxide emissions from flue gases, but increase the level of CO₂ emissions by 2%.

Improving our efficiency

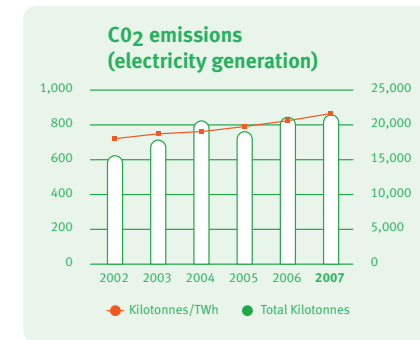
We've completed the second year of a five-year £30 million investment programme to improve the efficiency of our coal-fired power stations. The programme should reduce our carbon emissions intensity by 2.5%. With work to modify boilers and replace high pressure turbines and pumps completed at our West Burton and Cottam power stations, the programme is on schedule to close in 2010. We'll explore other ways to improve efficiency and reduce CO₂ emissions in future.

Co-firing with biomass

We've co-fired biomass at Cottam and West Burton since 2004, using such fuel as woodchip, olive cake, sunflower husks and locally grown willow. Burning biomass alongside coal leads to a reduction in coal consumption and CO₂ emissions. In 2007, this resulted in a reduction of total CO₂ saving across both our stations of around 1%. To ensure optimum efficiency and CO₂ savings we undertake an assessment of the biomass we use to ensure it meets the physical requirement attributes of stations. We're currently improving our biomass handling facilities and working with government and others to ensure it's used in a sustainable way.

Investing in low-carbon technologies

We believe that a long-term policy framework and the removal of barriers to investment in low-carbon technologies are both required to achieve the UK's carbon emission reduction goals. At present, it's unclear what levels of carbon reduction are required from any industry sector. We believe that the EU Emissions Trading Scheme does not provide the stable framework needed to achieve the CO₂ emissions reductions expected from electricity sector, but we're working with government to develop carbon instruments capable of delivering the appropriate investment levels.



We're investigating the potential of a range of low-carbon technologies, including:

- Renewables
- Nuclear
- Gas-fired generation
- Clean coal with carbon capture and storage
- Combined heat and power plants

Emissions trading

The electricity generation sector was allocated a shortfall in emissions allowances against its business as usual requirements and was therefore required to purchase ETS (Energy Trading Scheme) allowances from the market to meet electricity demand. The relative costs of these allowances for EDF Energy reflect the relative proportion of coal and gas fired plant in our current generation portfolio. The carbon prices were quite volatile in the first half of the scheme and subsequently collapsed when it became evident that the market was over supplied. The competitiveness of the UK retail markets has ensured that our customers have benefited from any free allowances that we receive and this reduced the overall cost impact of the EUETS.

We're taking positive steps to reduce the carbon impact of our power stations – but we also produce greenhouse gases in other parts of our business. We're working just as hard to reduce these impacts, in line with Our Climate Commitments.

We use energy in our offices and at our depots and operate a large fleet of cars and vans – both carry a carbon cost. We also use a gas called sulphur hexafluoride (SF6), the most potent of all greenhouse gases, in our networks business.

Through Our Climate Commitments we've pledged to achieve a 30% reduction in CO₂ emissions from the energy we use in our offices and buildings by 2012, and a 20% reduction from our transport fleet by the same date. Both are tough targets, but we're confident they can be achieved. Other businesses have set targets in these areas too and to help them we've created our Energy Efficiency Toolkit for business customers.

In 2007, we kicked off a number of carbon emissions reduction projects. We've replaced cooling systems in many of our buildings, producing immediate energy savings. We've also identified ways to reduce emissions through our use of transport, focusing on changes to our vehicles, to the way we work and to the way we drive.

Some of these changes can be made almost immediately, others will take longer, but together they can help us achieve significant reductions in our non-generation greenhouse gas emissions.



Everyone is responsible for reducing our impact on climate change

Reducing emissions from our use of transport

Soon after we launched Our Climate Commitments we realised that reducing emissions from our use of transport was going to be a particular challenge. We decided to kick start a project to look at our use of transport afresh.

This project started with what we called a 'transport summit' – a summit because of the seriousness of the challenge we were facing and the speed with which we must move in order to achieve our targets.

The summit was attended by key people from across the business including those responsible for procuring and managing our vehicle fleet, planning our field operations, providing company cars to our managers, managing our building stock and operating our technology infrastructure.

The outcome of the summit was a clear action plan that touched on all parts of the business. The action plan was broken into six key areas:

- **No travel** – looking at all areas of operation, from how we make our infrastructure more reliable (thus requiring less maintenance) to making greater use of video conference technologies.
- **Policy** – particularly relating to policies on employee benefits and company cars but also including operational policies.
- **Vehicles** – developing a clear programme for replacing our existing vehicle fleet with significantly more efficient vehicles. This is potentially the easiest improvement.
- **Efficiencies** – how we can drive our vehicles more efficiently by using advanced technologies and providing driver training.

- **Mileage** – there are large, but complex, opportunities to adjust the way we schedule and plan jobs in the field which will reduce the number of miles we drive.
- **Accountability** – providing clarity for managers and staff and demonstrating practical leadership from the top.

Together, we are confident that the initiatives identified will more than meet our ambitious targets. We will be able to report on progress next year.



Electric vehicle at the Green Lane event

Controlling the use of a powerful greenhouse gas in our Networks

We've taken action to ensure that our Networks comply with EU regulations and industry standards governing the use of Sulphur Hexafluoride, a potent greenhouse gas.

All network operators use equipment that requires Sulphur Hexafluoride (SF6) as an insulating medium. EDF Energy uses SF6 in this way in electricity switchgear and as a tracer gas to identify nitrogen in gas-filled cables. SF6 is a fluorinated greenhouse gas, with extremely high global warming potential. Just 1kg of SF6 is equivalent to 23,900kg of CO₂, so even the smallest leak gas can have a major impact on climate change.

New EU regulations covering fluorinated greenhouse gases were published in 2006 – setting out guidelines to contain them, prevent leaks and reduce their emissions to air.

We've put reporting procedures in place to monitor our SF6 holdings, their use and any leakages.



132kV substation: SF6 filled equipment

Taking constructive action to reduce carbon emissions from our offices and depots

As part of Our Climate Commitments, launched in 2007, we've committed to reduce carbon dioxide emissions from our offices and depots by 30% compared to 2006 figures, by no later than 2012. To meet this challenging but achievable target, our Property Services team is working hard to make sure we put in place effective carbon reduction and energy efficiency measures.

Key to our efforts is the development of energy efficiency and on-site green generation projects – all with the potential to deliver real savings by improving existing systems, upgrading buildings and replacing inefficient plants.

All new building or major refurbishment projects are now required to meet a BREEAM standard 'excellent' rating and over time, our 'top twenty' buildings could also be brought up to this standard – our ambition being one major building at a certified "excellent" level in April 2008. BREEAM is a useful benchmark to use as it takes into account water use, pollution levels, energy and transport, management, health and use of materials. An 'excellent' rating confirms that every effort is being made to minimise a building's negative environmental impacts.

It makes good sense to put our 'top twenty' buildings in order first because they represent a substantial part of our property portfolio and consume approximately 90% of the energy we use. They consist of mainly call centres, data centres and depots.

We now publish energy efficiency tables, comparing different buildings in our portfolio against a recognised benchmarking format. This allows facilities teams to measure their progress and to learn from the experiences at other properties. We've also improved the way we monitor energy consumption in our buildings, introducing smart metering to capture carbon emission data and using Property Services Helpdesks to record 'carbon waste' reported by employees and contractors.

Two other effective measures introduced recently include: 'energy walks' – completed by the Property Services Technical Team and facilities staff to identify and action ways to save energy; and the 'energy calculator' developed for our Energy Efficiency Toolkit. The calculator allows sites to measure and publicise their progress against efficiency targets.

All in all, we're working hard to push a whole range of energy efficiency measures forward. We have until 2012 to achieve our 30% reduction target and we're confident we can do so.



Settling in... employees in one of our newly refitted offices at Bexleyheath

As part of our efforts to tackle climate change, we want to help our customers reduce their own carbon emissions. We've set an ambitious target – to reduce the proportion of CO₂ arising from our customer's energy consumption by 15% by 2020.

We've put a range of 'green' products and initiatives in place to help customers use less energy. These include the introduction of smart meters and our award-winning 'Read. Reduce. Reward' scheme, with over 150,000 customers already signed up to a scheme that helps them save energy, save money and earn Nectar points.

Other green initiatives up and running at the end of 2007 included: our Climate Balance tariff, which help customers offset their domestic carbon use by allowing them to make a contribution to carbon reduction schemes through their energy tariff; free advice about ways to save energy through our link-up with independent efficiency experts, The Green Team; and our new 'Save Today. Save Tomorrow' advertising campaign. This national press and TV campaign emphasises our green credentials and reassures customers that we can help them go 'green'.

The 2012 Carbon Challenge

In July 2007, we set a clear climate change challenge to domestic consumers – inviting them to pledge their commitment to saving energy and tackling climate change. Our 2012 Carbon Challenge invites customers to do their bit and try to reduce their energy-related carbon footprint by 15% by 2012. It also gives them the help and advice they need to do this – providing practical advice about how to reduce domestic carbon emissions by changing the way they use electricity, gas and powered appliances in their homes and everyday lives. By the end of 2007, we'd received over 25,000 individual pledges.

Business customers

Our Major Business division provides energy supply contracts and related services to medium to large sized businesses and the public sector and turned over £2.3bn in 2007.

A range of initiatives to improve customer satisfaction delivered good results. By July call service levels had improved to 90% of calls answered within 20 seconds and this has been consistently maintained since. We ensured that almost all customers were proactively issued renewal quotations at least 30 days in advance of their contract expiry. Complaints were down and we moved up in the industry benchmark satisfaction survey from 4th to 3rd place

Another testing area for our sales teams was meeting customer demand for renewable energy. During 2006 highly effective explanations of the scientific evidence and the environmental, social and economic implications of climate change through initiatives such as showing of Al Gore's film *An Inconvenient Truth* and *The Stern Review* had penetrated public consciousness. This resulted in greater expectations for businesses to reduce their carbon emissions and many companies, particularly those with big consumer brands, rushing to improve their green credentials. Renewable energy was an easy option compared to energy efficiency – carbon emissions slashed at the stroke of a pen. Difficulties sourcing sufficient renewable energy to meet this demand hampered new business opportunities and some renewals.

Our award winning Energy Efficiency Toolkit, a multimedia resource pack for people tasked with saving energy in their organisation, has been tremendously well received by customers.



Branching out: a tree made up of signatures is used to raise awareness of our new product Climate Balance

Providing our business customers with free energy saving advice through an innovative toolkit

In the face of rising energy prices and growing momentum around climate change, increasing numbers of our business customers have faced pressure to 'go green' in recent years. To help them achieve their environmental objectives, we've created an innovative Energy Efficiency Toolkit.

We saw that our customers needed information and help about energy issues, but also realised that few were willing to pay for advice. Our challenge was to deliver a free energy efficiency service, relevant to the needs of small, medium and large businesses.

Our solution was the Energy Efficiency Toolkit, a multimedia, interactive resource launched in November 2006.

The toolkit distils a wealth of publicly available information about climate change and energy efficiency into an easily digestible and practically useful format, using a 5-stage process – research, assess, plan, communicate, monitor and feedback – that equips businesses with the knowledge and techniques they need to put in place and promote energy efficiency measures.

Combining animation sequences and written materials, the toolkit also contains several useful resources, such as self-analysis spreadsheets, consumption calculators and action checklists. It's also easy to access, with a downloadable version available on our corporate website.

In the first twelve months after launch, over 2000 organisations registered for a toolkit and in 2007, its effectiveness was praised by the judges of the International Green Apple awards for environmental best practice. They commended: 'an electricity provider that goes out of its way to help customers reduce their usage,' while customers such as Virgin Trains have provided positive feedback on 'one of the most well put together and impressive tools of recent times.'



Toolkit booklet : helping our customers reduce their carbon footprint

Helping our customers to save energy and save money at the same time

In line with Our Climate Commitments we want to reduce our own carbon emissions and help our customers to do the same by using energy more efficiently. Our Read.Reduce. Reward. scheme, re-launched during 2007, makes it easy for them to play their part in tackling climate change.

The great thing about Read.Reduce.Reward. is its simplicity. Customers who sign up to the scheme 'read' their own electricity and gas meters and submit their readings online. In return, we 'reward' them with Nectar points. At the same time, the scheme also helps customers to 'reduce' their energy consumption by following our practical energy tips and using our interactive energy tracker. If they bring their energy consumption down, we 'reward' them a second time, again with Nectar points.

The scheme is proving a great way to raise awareness of the need to use energy more efficiently as part of concerted efforts to tackle climate change. We've put a carefully designed communications programme in place to support Read.Reduce.Reward that includes information about 'sustainability' through the seasons and advice about how to use energy more efficiently at different times of the year.

As we move into 2008, we've set ourselves a target to increase the number of customers who choose to read their meters, reduce their energy use and enjoy Nectar points as a reward.



Our award-winning product Read. Reduce. Reward

Working in partnership to support the use of electric vehicles in London and other major cities

Electric vehicles (EVs) are a great alternative to conventional fossil fuel powered cars – in theory. Without a network of electric charging posts to support their use across a wide area, their practicality is limited. EDF Energy is working in partnership with Elektromotive to overcome this issue.

We've joined forces with Elektromotive, a Brighton-based supplier of recharging stations for EVs to build a network of up to 250 recharging stations for local authority customers in London and across the UK.

We aim to make EVs a more realistic alternative to conventional transport – making it easier for people to reduce the impact their cars have on the environment. It provides a safe, secure and user-friendly way to charge EVs and in 2007 won both the 'Industry Innovation award 2007' from Greenfleet and a 'highly commended' accolade at the EAST awards.

EDF Energy is in no doubt that its relationship with Elektromotive presents a real opportunity to make low-carbon transport more viable and cost-effective. As concern for the environment grows motorists are no longer only interested in what their car looks like, or how fast it can go. Research shows that drivers are increasingly demanding transport options that don't have such a detrimental effect on the world we live in.

EDF and Toyota are engaged in a new technology partnership to evaluate Plug-in Hybrid vehicles in Europe. The objective is to develop practical solutions for the commercialisation of Toyota's prototype vehicle technology, which can further reduce the environmental impact of vehicles. Road trials have commenced in France and may be expanded to other European countries in the future. EDF and Toyota have also developed an innovative charging and invoicing system, incorporated in both of the test vehicles.



Green travel: new style electric car and charging point

As part of ‘Our Climate Commitments’, we’re involving our employees so that they can help us make a positive difference. Our role as a sustainability partner with the London 2012 Olympic and Paralympic Games gives us a unique opportunity to inspire our people – but lots of other initiatives are underway or in the pipeline too.

An Inconvenient Truth

This year we gave all our employees the chance to watch Al Gore’s award-winning film about climate change, ‘An Inconvenient Truth’, and then to discuss the implications of climate change for our business and ways in which they could make a difference. Nearly 8,000 employees watched the film at a number of organised screenings

Our ambassador programme

In 2005, we launched our Ambassador programme to make it easier for employees to contribute towards our sustainability goals. We have a network of around 200 ‘ambassadors’ – all motivated to make a difference, spending around two hour’s environmental or community activities every week.

One Planet Ambassadors focus their energy on local environmental projects, often motivating others to help them reduce energy use and waste; One Community Ambassadors get involved in voluntary or fundraising activities with our community and charity partners.

In 2007, our ambassadors organised a wide range of activities. They set up stalls and arranged all kinds of ‘green’ events on World Environment Day. They were the driving (or rather not-driving) force behind the EDF Energy Car Free Day on 21 September – encouraging employees to leave their car at home and use alternative transport in support of European Mobility Week. They also participated in the Big Wheel of Kent – a sponsored cycle ride from Maidstone to Canterbury that raised money for our charity partner Mencap and also raised awareness of greener transport alternatives. In total, our One Community Ambassadors helped to raise over £130,000 for Mencap.



The pledge tree grows at Grosvenor Place: employees commit to reduce their carbon footprint

We’re looking to recruit more ambassadors in 2008 and to increase their impact even further.

Sustainability awards

Over the last few years we’ve been running an EDF Group-wide awards programme, Sustainable Future Trophies. The initiative aims to recognise employees’ sustainability achievements and to promote best practice. In 2007 more people got involved in the programme than ever before. Our two winning projects were the London Warm Zone, which helps London boroughs tackle fuel poverty and climate change, and an ash processing initiative at our two coal power stations to drastically reduce waste sent to landfill.

Helping our employees to understand the implications of climate change

As an energy company that uses coal and gas to produce electricity, the changes we put in place through Our Climate Commitments can make a big difference to the UK's carbon footprint. We need our employees to be engaged in this.

In 2007, we gave every EDF Energy employee the chance to watch Al Gore's award-winning movie, An Inconvenient Truth, and to discuss the issues it raises with their colleagues.

Nearly 8,000 employees watched the movie at a number of organised screenings; many more were given the opportunity to watch the DVD during their own time.

One of Our Climate Commitments calls for all EDF Energy employees to take active steps to reduce their personal carbon footprint at home and at work by 2012, so anything we can do to support them or motivate them is of value. We believe that the decision to screen An Inconvenient Truth helped to raise awareness of climate change and 'sparked' ongoing conversations about how employees can tackle it on an individual and collective basis.



Screening of An Inconvenient Truth at a cinema in Leicester Square

Supporting environmental awareness by going 'car free' for a day

On 21 September 2007, we played our part in European Mobility Week by running the EDF Energy Car Free Day. Employees were encouraged to leave their cars at home to raise awareness of the environmental impact of transport.

During the build up to the 21 September, employees received a Car Free Day Toolkit, containing information about alternative transport – from cycles through to car-sharing schemes. Postcode parties were organised to introduce employees to potential car-share partners and a competition was run to reward the most imaginative form of alternative transport.

Our decision to hold a Car Free Day, supports Our Climate Commitments. It sent out positive messages to our employees, raised important issues and also gave them the opportunity to make their own contribution to our green objectives.

Following its success we are planning to support Car Free Day again in 2008.



Ambassadors support 'Car Free Day' at our Worthing office

Encouraging employees to take environmental action through our Ambassador programme

We set up our Ambassador programme in 2005, to give our employees a chance to become more actively involved in championing our sustainability goals. Today, around 200 Ambassadors are taking part in a wide range of environmental and community-based initiatives.

Our One Planet Ambassadors focus their energy on reducing our environmental impacts at a local level. By engaging colleagues, family and friends in reducing energy use and waste, they provide real benefits for our business and have a positive impact on the environment. Our One Community Ambassadors focus their attention on our community programme, working closely with charities and other bodies to raise funds for good causes.

In 2007, our Ambassadors were involved in a wide range of activities.

They played a leading role in the many events run on World Environment Day in June – the same day on which we launched Our Climate Commitments. They ran information stalls, made presentations, distributed information, and held raffles. At our Hove and Exeter offices, they even set up ‘ice’ displays to provide a graphic illustration of the impact of climate change.

Ambassadors were just as involved on EDF Energy Car Free Day in September, once again exercising their powers of persuasion to convince colleagues to leave their cars at home and use alternative transport. They were the driving force behind our Car Free Day Toolkit and also helped to organise post-code parties at which employees could identify potential car-share partners.

We value the great work our Ambassadors do – for the environment, for local communities and for EDF Energy. In 2008, we aim to encourage even more employees to sign up for a programme that really does make a difference.



EDF Energy employees give out balloons at Canary Wharf to highlight the reduction in emissions that can result from small changes in behaviour

Environmental Impacts Climate change may dominate the headlines, but other environmental issues such as biodiversity, waste and leaks from supply networks, also present us with real challenges.



- › Waste
- › Networks
- › Biodiversity
- › Generation

We produce a range of waste materials and by-products during the course of our operations – from the earth we excavate to complete network upgrades to the ash and gypsum we produce as a by-product at our coal-fired power stations. In every case, we aim to re-use or recycle as much of our waste materials as we possibly can.

Generation

Our gas-fired power stations produce ash and gypsum as by-products during combustion. We’re currently investing in an ash processing plant, which would allow us to produce pulverised fly ash – a material that can be sold for use in the manufacture of cement, and also provides a low-calorific coal substitute for re-burning in our own power stations. We are also investigating the feasibility of a second ash processing plant.

At present, both of our coal-fired power stations produce nearly 700 ktonnes of ash a year. Introducing this new technology could reduce the ash sent to landfill by 50% by 2012.

Excavation

Our Networks branch excavates several 100,000 tons of materials from the ground a year. Surprisingly perhaps, legal standards governing street works mean that most of this ‘spoil’ is sent to landfill. We are determined to reduce this impact.

Since January 2006, our Networks branch has been working with Surrey University to investigate ways of reducing or re-using waste material from excavations. We are working with our contractors in the South to ensure more material is re-used during projects and we’re working with recycling companies and local authorities to trial the various recycling options.



We are making it easier for employees to recycle

Progress against our recycling targets is monitored monthly. In 2006, 18% of the excavated material was recycled or reused. In 2007, we increased this figure to 54%, cutting the emissions from our vehicles in the process.

Recycling

EDF Energy launched a number of recycling initiatives in 2007 and is currently involved in Project Rake – a move to standardise the way we recycle materials right across the business. The project aims to simplify the process by introducing mixed recycling bins and using Materials Recycling Facilities to avoid the ‘contamination’ of collection vessels that often results in waste materials being sent to landfill.

	Quantity (tonnes)
Pulverised Fuel Ash sent to landfill	695,000
Pulverised Fuel Ash sold	323,500
Furnace Bottom Ash sold	145,300

As the largest operator of public distribution networks in the UK and a leader in the development of private networks, people, businesses and organisations in London and across the south and east of England rely on us to deliver secure and safe energy supply systems. Quite rightly, they also expect us to minimise the impact our operations and services have on the natural environment.

Biodiversity

We've worked with ADAS, independent environmental specialists, to develop ways to assess all our substations and introduce Biodiversity Action Plans to protect the wildlife they support. We've also completed under-grounding projects to remove overhead lines from areas of Outstanding Natural Beauty and bird flight paths. In addition, bird diverters have been fitted to some of our overhead lines to protect swans and other birds.

Urban design

Our Arbury Grid building in Cambridge is being carefully designed to blend into the surrounding urban environment. In partnership with Cambridge County Council, we will deliver a safe, secure and unobtrusive building that draws little unwanted attention to itself. We've also taken steps to preserve protected species of toads and lizards found on the site.

Heathrow Terminal 5

Working in partnership with ATCO Power at Heathrow's new Terminal 5, we've achieved a new landmark, connecting the partially-completed building to a Combined Heat and Power Plant. The plant will meet T5's heat requirements and prevent emissions of 11,000 tonnes of carbon dioxide every year.



Employees fitting diverters to cables to protect swans

Fluid-filled cables

Our underground network still includes a proportion of fluid-filled cables (FFC), which contain oil as an insulator. We're steadily replacing FFC with modern alternatives and are set to invest £58 million between 2005 and 2010.

Our leak management strategy for FFC matches best practice and most have been plotted using the Environment Agency's environmental sensitivity map. We know where they cross or run close to high sensitivity areas and can prioritise replacements accordingly. We're also introducing new operational techniques to replace FFC, including more sensitive leak location methods due to come into full operation in 2008.

To minimise oil leaks we aim to replace fluid-filled cables wherever possible. We avoid using fluid-filled cables when expanding our networks or replacing old cabling. If we're unable to replace leaking fluid-filled cables (for example, where access is not permitted) we try to repair the leak and take steps to avoid future contamination.

Fluid filled cables are Extra High Voltage; consequently repairs can be complicated and time-consuming. Many thousands of customers depend on these circuits, so they cannot be switched off without careful planning and access to them is often limited – requiring permission from local government, highways authorities and other land owners. These factors limit access periods and as a result, leaks can continue while access issues are resolved.

Total leaks across our Networks has fallen every year since 2003, although both Eastern Power Network (EPN) and South East Power Network (SPN) exceeded their leakage targets this year. We will continue our efforts to reduce fluid filled leaks in 2008, using a number of operational and technical advances.

EDF Energy Network	2007 target (per 1000 litres)	2007 actual (per 1000 litres)	% actual compared to target
EPN (*)	56.55	58.98	104
LPN (*)	96.03	94.74	99
SPN (*)	36.44	67.30	185
Total (*)	189.02	221.02	117

(*) London Power Network (LPN), Eastern Power Network (EPN) and South East Power Network (SPN)

Minimizing the impact of our operations on areas of outstanding natural beauty

In 2005, the energy regulator Ofgem made an additional allowance in its Distribution Price Control Review for network operators to replace overhead lines running through National Parks and Areas of Outstanding Natural Beauty with underground cables. EDF Energy has developed an innovative approach to make sure replacements are prioritised effectively.

We currently distribute electricity through overhead lines in eight Areas of Outstanding Natural Beauty and The Broads National Park. In line with Ofgem's allowance, we've earmarked £10.6 million to complete underground cabling projects between 2005 and 2010.

Not surprisingly, all the areas affected are keen to have their overhead lines removed – our challenge is to make sure we prioritise work in a way that satisfies the different interested parties. To achieve this, we've established two regional steering groups, made up of representatives from each protected landscape in the area, under the chairmanship of Natural England.

EDF Energy is a non-voting member of both committees. We provide advice and practical assistance to help members prepare project proposals, providing a Project Officer to support them. Voting members bring their proposals to the steering group, which votes to select which ones will be implemented first.

The steering group members are satisfied that this approach is efficient and fair to all involved – with all decisions reflecting a majority view.

To date, under-grounding schemes on the Norfolk coast, Suffolk coast and heaths, the Broads and the South-Surrey hills have been completed, removing a total of just over 3.8 km of wood pole overhead lines. Eighteen more schemes are scheduled to be completed in 2008.



Overhead equipment is deactivated and installed underground to make beautiful landscapes even more spectacular

Our operations can have a positive and a negative impact on eco-systems and the animal and plant life they support at a local, regional and international level. Our customers and other stakeholders are rightly concerned about our potential biodiversity impacts and we take action to manage and minimise them.

Biodiversity Action Plans

In 2006, we introduced branch-specific Biodiversity Actions Plans (BAPs) – each one focused on ways to maintain and improve biodiversity by mapping potential risks and ensuring they are managed effectively. This can be a major challenge for our branches, some of which have extensive landholdings. Our Networks branch operates more than 66,000 substations (*), ranging from small buildings to Grid and Primary stations covering over 1,000 square metres (*).

We've developed a framework that helps us identify sites with non-operational land, assess them and then categorise their value as a current and future wildlife habitat. In time, all our Grid and Primary substations will be assessed to make sure no protected species or habitats are disturbed during major works.

Working in partnership with the Nottinghamshire Wildlife Trust, EDF Energy has turned the Cottam ash lagoons into a wildlife haven for bird species and other species such as water voles. In addition, the site has fully equipped classrooms which allow about 1,500 visiting children a year to learn about and to see some of our rare and threatened species and habitats. Power stations are remote locations with restricted access, and have not been under intensive agricultural management for the last 30 years. They are often the only large tracts of land that provide a last refuge for some of threatened species and habitats (see Bourn and Burwell cycles).

(* Source: Asset Condition Report which is provided to Ofgem for the period ending 31/03/08



Respecting biodiversity is important for us

Soil strategy

Soils are the power house supporting ecosystems. Polluted soil can have a negative impact on animals, plants, water supply and biodiversity. Erosion or degradation caused by climate change can also damage soils.

We plan to develop a Soil Strategy to identify, assess and minimise risks to soils on all EDF Energy sites. Work on this ambitious project is set to start in 2008.

EDF Energy's commitment to cutting its impact on the natural environment was marked by the completion of a Flue Gas Desulphurisation (FGD) equipment which removes 90% of the station's sulphur dioxide emissions.

Emissions from our Power Stations.

As a result of fitting Flue Gas Desulphurisation (FGD) units at our power stations emissions of Sulphur Dioxide (SO₂) and Dusts have decreased by 60% and 38% respectively since 2006, and by 78% and 48% respectively since 2005.

Nitrogen oxides emission limits will be reduced again in 2016 and meeting the new regulations will present us with some fresh challenges. In 2008, we'll examine the options available and will plan our reduction strategy accordingly.

Year	NOx (kt/TWh)	SO ₂ (kt/TWh)	Dust Emissions (kt/TWh)
2005	1.839	2.196	0.056
2006	1.878	1.185	0.037
2007	1.906	0.478	0.029

Noise

Noise managed at each station through the Noise Management Plan, which is a condition of the PPC (Pollution Prevention and Control) permit. A final version has been prepared and recently submitted to the Environment Agency for approval. The Plan sets out the noise sources, control measures and monitoring arrangements. Construction noise risks for major works are managed through the construction environmental management plan, for minor works through the main station Noise Plan.



Sutton Bridge Power station

Water

The abstraction of water is determined by the Environment Agency who license our power stations. The abstraction licenses are strictly monitored and enforced. The abstraction license has been set at a level which is sustainable for the river.

Installing Flue Gas Desulphurisation technology to reduce emissions at our coal-fired power stations

October 2007 saw the completion of a £108 million investment programme to reduce emissions at our Cottam power station. Central to the programme was the installation of new Flue Gas Desulphurisation (FGD) equipment that removes 90% of the station's sulphur dioxide emissions.

Sulphur dioxide is a major cause of acid rain, so its reduction is a priority for us. The work completed at Cottam is part of even more ambitious £230 million programme to install FGD at both of our coal-fired power stations. FGD not only removes sulphur dioxide emissions, it also creates gypsum as a by-product. This is sold to make plasterboard and other building materials, reducing the need to use natural resources. FGD is now in operation on all generating units at both our West Burton and Cottam power stations.

Putting FGD into operation during 2007 ensured our compliance with the demanding UK 15-minute air quality objective, ensuring that sulphur dioxide never exceeds the 15-minute standard during the year.

We continued the installation of over-air fire equipment into the boilers at West Burton and Cottam throughout the year, helping to reduce nitrogen oxides emissions. The combination of FGD and over-air technologies will ensure that both stations comply with much tighter limits due to come into effect in 2008.

Throughout the design and installation of this equipment we've worked closely with the Environment Agency to make sure that our new reduction systems represent the 'Best Available Techniques' – now required under the Integrated

Pollution Prevention Regulations, now implemented in the UK through the Pollution Prevention and Control (PPC) requirements*.

Nitrogen oxides emission limits will be reduced again in 2016 and meeting the new regulations will present us with some fresh challenges. In 2008, we'll examine the options available and will plan our reduction strategy accordingly.



Set in stone: John Mann MP, left, and Vincent de Rivaz at the official unveiling of FGD

*PPC regulations require an integrated environmental approach to manage specified industrial activities. As a result, emissions to air, water and land, along with a range of other impacts, must be managed collectively. It also requires regulators such as the Environment Agency, to set permit conditions to achieve a high level of environmental protection. Under PPC regulations we're required to implement 'Best Available Techniques', use low-waste technologies, lower levels of hazardous substances and materials, reduce raw materials and energy use, and improve the recovery or re-use of materials in our production processes.

To be a sustainable business we must also be a profitable business, delivering economic benefits for our shareholder and stakeholders. In the face of increasing competition and fluctuating energy prices we've demonstrated our commitment to long-term sustainability and made decisions for a low-carbon future.

“At the heart of sustainability lies a simple need to balance economic, social and environmental concerns in everything we do. Sustainability is not a pick-and-mix. You have to address all three of the key issues to achieve true sustainability.”

Peter Hofman, Director Sustainable Future

EDF Energy is a wholly-owned subsidiary of EDF. As an integrated energy company we generate, distribute and supply electricity and gas in the UK through our Energy, Networks, and Customers branches.

As of 31 December 2007, we were the leading electricity distributor in the UK (by volume of electricity distributed and regulated asset value). We were the number five electricity supplier (by TWh sold).

We are also a significant electricity generator, with a nameplate capacity (excluding PPAs) of 4.9GW.

At 31st December	2007	2006	2005
Sales ⁽²⁾ (£million)	5,744	5,673	4,559
Electricity	3,895	4,000	3,247
Gas	685	606	376
Other	1,163	1,066	936
Profit before tax ⁽²⁾ (£millions)	342	405	414
Electricity (GWh)	52,435	53,462	52,719
Gas (GWh)	28,685	25,849	21,287
Number of customer accounts (thousands)	5,539	5,497	5,052
Employees	13,158	12,319	11,238
Networks Regulated Asset Value (£billion)	3.0	3.1	2.9

During 2007, we distributed electricity to more than 7.9 million homes and businesses in London and the east and south-east of England, over a network of 181,000 kilometres. We supplied 52.4 TWh of electricity and 28.7 TWh of gas. At the close of the year, our 5.5 million customers accounts included domestic energy users, small and medium sized enterprises and major businesses.

Our sales for the year were £5,744 million. We employed 13,158 people (FTE).

For further financial information on EDF Energy please see our statutory accounts for the year ended 31 December 2006. These are available through the related download and will be replaced by our 2007 statutory accounts once they are available.

Metronet

EDF Energy, Balfour Beatty plc, Bombardier Inc, Thames Water plc and WS Atkins plc, were each 20% shareholders of the Metronet Consortium. Under two 30-year Public-Private Partnership (PPP) contracts with London Underground (LUL), Metronet was to renew and upgrade two thirds of the Underground Network's Infrastructure.

The initial estimated CAPEX cost of the project was in the range of £ 5.7bn for the first seven and a half year. However early 2007 adjusted projections from Metronet indicated that its costs exceed revenue projections by up to £2.0bn.

Most of this cost overrun could be explained, from Metronet's standpoint, because of changes in specifications and scope from LUL. On the other hand LUL argued that in some fields the Metronet consortium had not been as efficient as it should have been.

To resolve this issue, a process of arbitration was started as planned by the contracts in such a case. However this process was unsuccessful to find a way to bridge the financing gap at hand and as a result Metronet's shareholders had to notify that they could not continue to fund the cash shortfall and would request London Underground to appoint an Administrator.

Metronet went into PPP Administration on 18th July 2007 as a result of this liquidity crisis and from 30th August 2007 each of the contracts between Trans4m, Metronet and EDF Energy's sub-contract with Trans4m were all terminated.

At the request of London Underground and Metronet, EDF Energy entered into a Secondment Agreement with Metronet with effect from 30th August 2007 to second those EDF Energy staff who had been involved in the project to Metronet. This contract will end in the first half of 2008.

Negotiations are still ongoing between the various parties to terminate all contractual links and liabilities.

Fuel labelling

All electricity suppliers are required to publish information on the generation sources of the electricity provided to their customers. This table shows how the energy used by our residential and business customers from April 2006 to March 2007 was generated:

Fuel source	EDF Energy Fuel mix	UK fuel mix
Coal	47%	36%
Nuclear	29%	39%
Gas	17%	18%
Renewable	5%	5%
Other	2%	2%

(1) The exchange rates applied to the balance sheet are £1 per 1.4892 in 2006 and per €1.3636 in 2007 and for the figures in the income statement, 1 per €1.4665 in 2006 and per €1.4550 in 2007.

(2) EDF Energy contributions to EDF consolidated financial statements.

As a supplier of energy for millions of people in the UK, we do all we can to ensure security and continuity of supply – for the raw materials we purchase and the energy we generate.



- › Energy supply overview
- › Energy supply for the future

We buy and sell power. We purchase gas, coal and other commodities on the wholesale markets to meet the demands of our generating plants and customers. We operate three major power plants in the UK, with a combined generating capacity of 4.9GW.

2007 market overview

At the end of 2006, UK electricity year ahead base load prices were trading around £33/MWh, with corresponding UK gas prices at 33p/therm. At the end of December 2007, year ahead prices were £53/MWh and 51p/therm respectively. The increases can be attributed to the market factoring in steep rises in the wider energy commodity market, particularly in the second half of the year.

We decreased our sale prices for residential gas customers by 10.2% on 15 June 2007. However due to market conditions, on January 18, 2008, we raised prices by 7.9% for electricity and 12.9% for gas.

Generation

We operate gas-fired and coal-fired power plants, undertaking base load and cycling duties. We operate three major power plants in the UK, with a total generating capacity of 4.9GW:

- Sutton Bridge, Cambridgeshire – a Combined Cycle Gas Turbine plant with a design capacity of 803MW, commissioned May 1999
- Cottam, Nottinghamshire – a coal-fired plant with four units generating a capacity of 2,008MW, commissioned 1970
- West Burton, Nottinghamshire – a coal-fired power plant with four units and two open cycle gas turbines, delivering a total registered capacity of 2,052 MW, commissioned 1970.

In 2007, we generated 25.4 TWh of electricity for sales. Output from our generation plants effectively meets demand from our residential and SME customers. Demand from our large business customers, with consumption measured on a half-hour basis, is met through wholesale market purchases.

Risk management

For residential and SME customers, we determine our minimum exposure to the risk of energy cost variations in advance. Once determined, we set maximum and minimum hedging levels and set clear limits, providing the basis for a supply strategy covering all raw materials.

Electricity

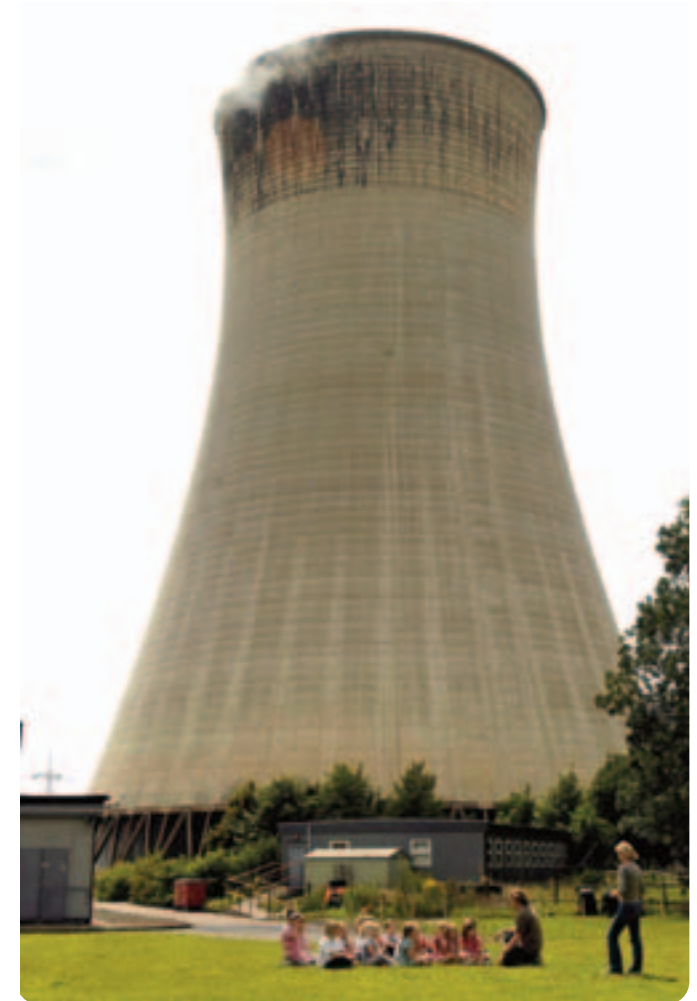
In addition to our own generation, we purchased electricity in 2007 through:

- Long-term purchase contracts with Barking and Teesside power stations and with Scottish and Southern Energy, purchasing approximately 5.3 TWh of electricity
- Contracts with generators connected directly to distribution networks (consisting mainly of generators using renewable energy sources located close to demand) with approximately 2.4 TWh of electricity purchased
- Wholesale purchase contracts based on quantities and variable periods, purchasing approximately 23.4 TWh of electricity

Losses of approximately 3.8 TWh were incurred in distributing the electricity we generated and purchased during 2007.

Gas and coal

Gas for end-users and our Sutton Bridge power plant is purchased through a diversified contract portfolio. Coal purchases are based on the generation forecast and coal stock targets. We purchase around 40% of our coal from the UK and the balance from international sources.



West Burton Power station

The UK government has set out its vision for the future of energy supply. It believes that a clear carbon price signal should be maintained through a stronger EU Emissions Trading Scheme after 2012 and that new nuclear power stations should have a role to play in this country's future energy mix alongside other low-carbon sources. The government's decision concerning the role of new nuclear power stations in the energy mix was announced early in 2008.

Combined Cycle Gas Turbine generation

In 2005 we completed an extensive review of our future energy generating requirements. Taking in to account the risk of limited liquidity in the wholesale market and our own sustainability aspirations we committed to build a new Combined Cycle Gas Turbine Generation (CCGT) power station to come into service by 2011. We may also invest in a second CCGT of similar size to come into service later.

Our West Burton II project received government consent on 30 October 2007. The new CCGT plant will comprise three 437MW multi-shaft units, with a combined capacity of 1,311MW. The plant will be designed to EDF Energy specifications, EDF CIT is the construction engineering and procurement manager.

Renewables

We plan to increase our renewable power generation capacity to 1000 MW by 2012. Projects are already in development to meet this target.



We are investing in the future of renewable energy

New nuclear

The UK Government has concluded that nuclear should have a role to play in the generation of electricity and that the electricity industry should, from now on be allowed to build and operate new nuclear power stations, subject to normal planning and regulatory requirements.

A 'Nuclear Project' team was established in London in 2006 to make possible investment in new nuclear capacity in the UK, drawing on the unrivalled expertise of EDF Group. Any such investment will help maintain security of supply, help keep the economy growing and help address global warming. The team has grown to 11 full time staff in the UK, and will continue to grow as the project develops.

EDF Group has been actively engaged in the consultation, and is looking into considering the possibility of building and operating up to four new nuclear power stations, either on its own or in partnership, subject to the implementation of an appropriate policy and regulatory environment described in the Government's white paper.

EDF Group has said that it wishes to deploy the EPR technology. This is the same technology already employed at the new nuclear power station being constructed by EDF at Flamanville, in France. This strategy will enable the efficiencies that come with standardisation of design in the construction and operation of a series of plants. In the second half of 2007 EDF Energy, with Areva, initiated the licensing process. This process is scheduled to last for three and a half years.

It is anticipated that the first new nuclear plant could be operational by the end of 2017. A final investment decision by EDF is expected.

Customers rely on us for safe, reliable and affordable electricity. We work hard to meet our responsibilities; we're also taking action to improve our distribution services in future.



- › [Distribution overview](#)
- › [Distribution for the future](#)

We operate three neighbouring distribution networks in the UK. In line with Ofgem requirements, our Networks branch operates as a separate legal entity from the rest of EDF Energy with its finances ‘ring fenced’ to ensure that it does not restrain, hinder or distort competition. We also deliver commercial and technical solutions for infrastructure projects and electrical distribution networks projects.

Public networks

According to Ofgem, we are the largest distributor of electricity (by volume and regulated asset value) in the UK, distributing electricity to 7.9 million customers. Our network covers 29,000 km² * and distributes 87 TWh of electricity annually, through 48,000 km* of overhead wires and 134,000 km* of underground cables.

Each of our distribution networks operates in very different conditions. We have a concentrated urban network in London and a mix of rural and urban networks in the east and south-east of England. We invested £465 million in asset replacement, reinforcement and network extensions during 2007. Network performance is strongest in London, where almost the entire supply network is underground and unaffected by the weather.

Our Networks business generates income through Distribution Use of System charges to the supply companies with whom the end customer has a contract. Our charges are among the lowest in the UK.

(*) Source: Asset Condition Report which is provided to Ofgem for the period ending 31/03/08

Private networks and initiatives

We’ve built a strong portfolio of private network, private finance initiative and public private partnership contracts. These include major infrastructure and network projects for:

- Heathrow, Gatwick, London City and Stansted airports
- Docklands Light Railway Lewisham extension
- Various commercial buildings in London Docklands
- Dorset County Council and Ealing and Islington borough councils

We’re also involved in a number of joint venture investment projects. We hold an 80% interest in the Powerlink consortium, a 30-year contract worth around £50 million to maintain and upgrade the London Underground’s high voltage electrical distribution system. We hold a 49.9% interest in MUJV Ltd, a venture with Veolia Water to design and lay all water, wastewater, gas and electricity pipes and cables to a new building being constructed by Aspire Defence for the MOD.

Our contracting business holds major contracts with customers that include Network Rail, Pfizer and the London Underground.



EDF Energy provides utility services

The Ofgem Distribution Price Control Review completed in 2005 supported our call for an increase in capital expenditure of £2.2 billion up to 2010, but reduced permitted operating expenses. This tariff review is considered, on the whole, to be satisfactory and we are on target to deliver our agreed capital plan. We've also made significant progress in cutting our operating costs.

Our ongoing cost reduction programme hinges on a number of specific actions: the development of a new organisational structure, which allows better resource planning; reduced traveling time and a reduction in the number of properties we occupy.

Underground fluid filled cables

Ofgem's general view is that price control mechanisms in place during the current five-year period make significant replacement achievable. We will be investing around £58 million to replace damaged or redundant fluid filled cables (FFC).

Our leak management strategy will conform to best practice. Most of our FFC have been plotted on the Environment Agency's environmental sensitivity map and as a result, we now know which FFC cross, or come close, to high sensitivity areas. We will use this knowledge and our assessment of FFC conditions to determine future replacement policy.

We'll be using several new operational techniques to replace FFC, including a more effective leak location method developed over the past few years and field-tested during 2007. This will come into full operation during 2008, improving the accuracy of our detection work and improving our cost efficiency.

In line with our commitments to be a successful, sustainable business, we make a number of key social investments. We run two pension schemes to support our employees; we invest in local communities through a wide range of corporate and employee-driven initiatives.

Pension schemes

EDF Energy sponsors two pension schemes:

1. The EDF Energy Pension Scheme (“EEPS”) which was established in March 2004 and includes a number of legacy pension schemes from London Electricity and SEEBOARD. Membership of EEPS is open to all employees.
2. The EDF Energy Group of the Electricity Supply Pension Scheme (“ESPS”) which was created in September 2005 as a result of the merger of the London Electricity and SEEBOARD groups of the ESPS. ESPS is closed to new members.

Both EEPS and ESPS are final salary pension arrangements and they both undertook formal triennial actuarial valuations as at 31 March 2007 in line with the new scheme specific UK funding requirements. This showed a total deficit of £127m. To repair this deficit, EDF Energy agreed a recovery plan in which it would make additional payments over the period 1 April 2007 to 31 March 2015 (with the deficit payments front loaded during the first three years).

In line with UK law the Trustees of each pension scheme issue members with annual funding statements.

From a Company accounting perspective the funding position for each pension scheme is as follows:

- ESPS has improved over the period 2004 to 2007 due to improvements in equity markets and deficit repair contributions of £126m) paid by EDF Energy between April 2005 and December 2007. At the end of 2007 ESPS was in deficit by £245million compared with £298million at 31 December 2006.
- EEPS has grown in terms of members, assets and liabilities. The funding position has not changed greatly over the period 2004 to 2007. At the end of 2007 EEPS was in deficit by £11million compared with £13million at 31 December 2006.



Our social actions help us to be truly sustainable

Community programmes and matched giving schemes

Mencap has been our charity partner since 2005. During the three year period to 2007, our employees raised an estimated £419,000 in support of Mencap; we donated £300,000 over three years in matched funding, producing a total donation of £719,000 to Mencap over the period 2004-2007.

Over 900 EDF Energy employees make regular charitable donations through our Payroll Giving scheme, supporting more than 156 charities. We received 420 applications for personal matched funding in 2007.

Annual Incentive Plan

EDF Energy operates a general incentive scheme for staff known as AIP (the Annual Incentive Plan). AIP is designed to incentivise staff to deliver through personal and team objectives, the Company’s five Ambitions. There are two elements, each contributing 50%: the Company’s performance in meeting the Ambition targets and performance in meeting local team objectives. Typically, some 40-50% of bonus is dependent on financial performance and the remainder is spread across the other four Ambitions.

In 2006 we launched our Sustainable Future project with three key objectives in mind: to make corporate responsibility a true driver for improved business performance; to make EDF Energy a sustainable energy business that adds economic, social and environmental value; and to put sustainability in our ‘DNA’.

Our commitments

We launched Our Climate Commitments in June 2007, explaining how we intend to reduce our own environmental impacts and how our customers can reduce their energy consumption. As part of an ambitious package of initiatives, we committed to achieve a 60% reduction in our power stations’ carbon dioxide emissions intensity by 2020.

In February 2008, we added to Our Climate Commitments with the launch of Our social Commitments – an equally extensive and ambitious statement of intent.

Inspiring our people

People make any business. A modern, knowledge-based business has to engage and inspire its people, rather than ‘instruct’ or ‘tell’ them what to do from the top down. We aim to make EDF Energy a company in which employees see a clear connection with their aspirations and are engaged to deliver improved business performance.

Connected Reporting Framework

The Prince of Wales Accounting for Sustainability project team presented their Connected Reporting Framework (CRF) to us while we were in the process of planning our own Sustainability Report. We recognised immediate parallels with our own thinking and taking the CRF as model, developed it as a tool to drive forward delivery of Our Climate and Social Commitments. EDF Energy managers first used the framework (which brings together economic, social and environmental performance) to report to our Executive in October 2007. The framework will be used to prepare quarterly reports in future.



Windfarms are part of the sustainable projects developed by EDF Energy

A sustainable business delivers real benefits for its stakeholders and the wider world. To achieve this we must make steady improvements right across our business. We must think and act for the long-term to achieve sustainable performance.

“As part of the Project Investment Committee process, we review the impact of all our projects on the environment, social responsibility and economic performance. In this way, we ensure that a broader view is ingrained in our projects, processes and methodology.”

Humphrey Cadoux-Hudson, Chief Financial Officer.

EDF Energy has the vision “to be recognised as the passionate, committed, caring, innovative and successful energy company, enabling its people to make a difference”. This guiding principle shapes the way we do business.

To help us achieve it we developed five ambitions, each of which relates to one or more of our stakeholders. These five ambitions are:

- We want to care more for our customers and continually improve customer experience
- We want to be recognised as a learning business and a great place to work for our employees so that they are proud of their company
- We want to meet our shareholder’s expectations and grow the value of our existing business
- We want to be a safe and responsible company regarding our people, the environment and the communities we serve
- We want to be recognised as a leading and respected point of reference on matters concerning our business

These ambitions represent our balanced view of business success. This section shows “At A Glance” through our Key Performance Indicators (KPIs) and supporting measures how we have progressed in delivering our vision.

From 2008, we will also report towards Our Climate and Social Commitments.

Ambition	Measure	KPI	2007	2006
Safe and Responsible	Health and safety management	%	91.2	77.3
	Lost time Incidents	/100,000 hr	0.39	0.52
Shareholder’s Expectation	Profit before tax	£M	342	405
	Turnover	€M	5,744	5,673
Care for our Customers	Mass market customer satisfaction	% satisfied	74.1	74.4
	Major business customer satisfaction	% satisfied	68.8	64.4
	Customer product accounts	millions	5.5	5.5
	Distribution customer interruptions	no. per cust. per yr.	0.66	0.66
	Distribution customer minutes lost	mins. per cust. per yr.	67	62
Point of Reference	BiTC Corporate Responsibility Index	%	99	98.5
	CO ₂ emissions from power stations	millions tonnes	21.5	20.9
	CO ₂ emissions from building energy use	tonnes per employee	1.82	2.08
	CO ₂ emissions from transport	‘000 tonnes	27.5	27.1
	Managed buildings recycling rate	%	48	39
	Net tone of national press (inc. sponsorship)	Sector ranking	1st	1st
Great Place to Work	Employee opinion	% satisfied	75.1	73.1
	Headcount	Average no. FTE	13,158	12,319

This table gives you an overview of EDF Energy's new ambitions for 2012 which support EDF Energy's mission.

Our Ambitions	KPI	2012 Targets
Safe for all	Zero harm – Days without harm (Zero injuries)	No employees or contractors will suffer injuries requiring medical treatment
Shareholder's expectation	Profit (EBITDA)	We will increase profits relative to our peers
High-performing people	Employee Engagement	We will achieve a significant measurable improvement in employee engagement and performance
Customer's choice	Retention rate Customer satisfaction (Network)	We will retain 4% more supply customers than in 2007 and 75% of our network customers will be satisfied
Sustainable performance	Delivery of Our Climate and Social Commitments	We will cut CO ₂ emissions from our offices and depots by 30%
		We will cut CO ₂ emissions from our transport by 20%
		We will reduce the volume of materials sent to landfill by 50% by 2012
		We will have engaged with 2.5million young people in the UK, educating and informing them about the safe, sustainable use of energy.
		We will have increased the diversity of our workforce and have maximised the value that such diversity can bring. We will also have increased opportunities for our employees to increase basic skills

We aim to report on our performance openly and accurately, addressing the concerns of our key stakeholders. For the second year running, CSR Network, has provided formal assurance in line with the AA1000 Assurance Standard to confirm that it contains information that is relevant, reliable and trustworthy.

To ensure transparency and maintain stakeholders' trust, our 2007 report has been subject to independent assurance by Csrnetwork using the AA1000 Assurance Standard.

Scope and objectives

EDF Energy commissioned Csrnetwork to undertake an independent assurance engagement over the information and data within the online version of the EDF Energy 2007 Sustainability Performance Report ('the Report'). The objectives of the assurance process were to check claims and the systems for collection of data, and to review the arrangements for the management and reporting of sustainability issues. The assurance process was conducted in accordance with the AA1000 Assurance Standard, and we have commented on the report against the principles of materiality, completeness and responsiveness. We did not review EDF Energy's use of the Global Reporting Initiative Sustainability Reporting Guidelines. Any financial information contained within the Report is excluded from the scope of this assurance process, as are any links leading beyond the 2007 Sustainability Performance Report section of the EDF Energy website.

Responsibilities of the directors of EDF Energy and the assurance providers

The directors of EDF Energy have sole responsibility for the preparation of the Report. In performing our assurance activities, our responsibility is to the management of EDF Energy, however our statement represents our independent opinion and is intended to inform all EDF Energy's stakeholders including the management of EDF Energy. We were not involved in the preparation of any part of the Report. We have no other contract with EDF Energy. This is the second year that we have acted as independent assurance providers for EDF Energy. We adopt a balanced approach towards all EDF Energy stakeholders and

a Statement of Impartiality relating to our contract with EDF Energy will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. The independent assurance team for this contract with EDF Energy comprised Jon Woodhead, Louise Hawson, Judith Murphy and Anne Euler. Further information, including a statement of competencies relating to the team can be found at: www.csrnetwork.com

Basis of our opinion

Our work was designed to gather evidence on which to base our conclusions. We undertook the following activities:

- We conducted interviews with a selection of directors and senior managers responsible for areas of management and stakeholder relationships covered by the Report. The objective of these discussions was to understand EDF Energy's governance arrangements and management priorities;
- We discussed EDF Energy's approach to stakeholder engagement with relevant managers, we attended a meeting of the independent Stakeholder Panel, and held individual interviews with all 5 members of the Panel, including Will Hutton, the Chair.
- We conducted a top level review of issues raised by external parties that could be relevant to EDF Energy's policies to provide a check on the appropriateness of statements made in the report;
- Subject to the exclusions set out below under 'Observations', we reviewed data collated at the corporate level, and claims made in the Report. We undertook verification of specific data and claims through meetings with managers responsible for gathering data, reviewed their processes for gathering and ensuring the accuracy of data, and requested supporting evidence.

- The scope of our work included a visit to the EDF Energy Networks operational site at Fore Hamlet, Ipswich. Selected performance data at site and divisional level were reviewed as part of our review of consolidated corporate data.
- We undertook an assessment of the company's reporting and management processes against the principles of materiality, completeness and responsiveness as described in the AA1000 Assurance Standard.

Observations:

Materiality – has EDF Energy provided information on material issues to enable stakeholders to make informed judgments?

On the basis of the method and scope of work undertaken and the information provided to us by EDF Energy, in our opinion the scope of issues included in the Report covers all material issues.

Last year the company announced a range of medium and long term targets entitled Our Climate Commitments. This year, EDF Energy has added to this range with the announcement of Our Social Commitments. These targets form the basis for a clear vision for the future that distinguishes EDF Energy from other UK utility sector companies, and in future should provide a useful reference point against which to judge progress. To enable stakeholders to make such judgements, systematic reporting on progress towards these targets should be introduced, and it will be essential to explain in the narrative how different factors could influence progress over the lifetime of the targets. The summary of performance currently included in the Report is mainly based around measures relating to the company's 'five ambitions' which were applicable during 2007, together with some supplementary measures. Going forwards, we recommend that summary performance measures be reviewed to ensure that a complete overview of performance under all of the company's key sustainability impacts is provided.

In our statement for the Report last year we made a number of recommendations for improved reporting in future years, relating to reporting on energy prices and the assistance offered to specific customer groups during the year, reporting on the carbon intensity of electricity supplied, and the financial impacts of emissions trading, the costs of investments (made and provisioned) in renewables and lower carbon technologies. In our opinion, improvements to reporting under each of these areas have been made, but there is still room for improvement, particular in terms of comparison of EDF Energy's performance in some of these areas with other energy companies.

Completeness – does EDF Energy have systems in place to understand changes to stakeholder expectations and to provide complete and accurate information against the issues identified as material for inclusion in the Report?

The company has further refined the internal validation process developed last year for all data and claims made in the Report, providing a central data quality and reliability control point. This has significantly improved the amount and quality of evidence available to support the accuracy of data and claims reported, and strengthened the assurance process.

On the basis of the method and scope of work undertaken and the information provided to us by EDF Energy:

For environmental performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.

For health and safety performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.

For other social performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.

In our statement for the Report last year we recommended that future Reports should include comment from the Stakeholder Panel. This year's Report does include commentary from the Panel, describing its role and making positive observations about the company's approach to sustainability governance and reporting. In future reports we would encourage further discussion of the Panel's views on EDF Energy's approach to issues under consideration such as fuel poverty and climate change.


Responsiveness – how does EDF Energy demonstrate that it has responded to stakeholder concerns?

Our interviews with the Stakeholder Panel made it clear that Panel members believe that the company is addressing its key social responsibilities in a professional and pragmatic way. In their opinion the company responds well to their concerns and requests for information, and senior management are willing to be open and candid about challenges as well as successes. Panel members have been particularly impressed with the commitment of senior management to understanding and tackling the complex challenges of energy security, sustainability and affordability. In future years, EDF Energy could consider reporting on the process for agreeing Stakeholder Panel priorities and demonstrate how these have influenced the company's engagement with other key stakeholders.

We recommend that future reports should include detailed information on the improvements that are being made to safety management for example through the Zero Harm project, given the significance to the business of the fatalities that occurred in the reporting year. We also recommend EDF Energy should consider providing the facility to download detailed performance data, to enable stakeholders to access information on local impacts, for example emissions, waste and resource use associated with individual power stations.

The Report includes examples of how stakeholder engagement has contributed to specific areas e.g. the development of Our Climate Commitments. We restate the recommendation made in our statement last year that the Report could be improved through articulating how the company understands stakeholder viewpoints on key performance issues and strategy. This could be achieved through inclusion of observations and quotes from representatives of stakeholder groups or independent experts on specific issues, to illustrate the outputs of dialogue between the company and its stakeholders during the year.

csr network ltd
U.K. April 2008



Jon Woodhead
Director



Louise Hawson
Senior Consultant



Judith Murphy
Senior Consultant

csrnetwork is an international corporate social responsibility consultancy organisation
www.csrnetwork.com



The Global Reporting Initiative (GRI) has pioneered the development of sustainability reporting framework. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. The following index is designed for helping you find some elements associated with GRI Performance structure in this website.

GRI code	Description	Reference sections	Scope of coverage
Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation donations and other community investments, retained earnings, and payments to capital providers and governments	Affordability London Warm Zone Supporting communities Key figures At a glance	✓✓
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	–	✗
EC3	Coverage of the organisation's defined benefit plan obligations	Pensions Social actions	✓✓
EC4	Significant financial assistance received from government	Ethical procurement	✓
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	–	✗
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Energy supply overview	✓
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Diversity	✓
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	London Warm Zone Priority Services Supporting communities	✓✓
EC9	Understanding and describing significant indirect economic impacts including the extent of impacts	–	✗
Environment			
EN1	Materials used by weight & volume	Fuel procurement	✓
EN2	% materials used as recycled input materials	–	✗
EN3	Direct energy consumption by primary energy source	Energy supply overview	✓

GRI code	Description	Reference sections	Scope of coverage
EN4	Indirect energy consumption by primary energy source	Energy supply overview	✓
EN5	Energy saved due to conservation & efficiency improvements	CCGT approval London Warm Zone	✓
EN6	Initiatives to provide energy-efficient or renewable energy-based products & services, and reductions in energy requirements as a result of these initiatives	CCGT approval London Warm Zone Product development	✓✓
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	CCGT approval London Warm Zone Micro-power EDF Energy toolkit Supporting electric vehicles	✓✓
EN8	Total water withdrawal by source	–	✗
EN9	Water sources significantly affected by withdrawal of water	–	✗
EN10	% and total volume of water recycled and re-used	–	✗
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	✗
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Biodiversity	✓
EN13	Habitats protected or restored	Biodiversity	✓
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Networks Biodiversity	✓✓
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	–	✗
EN16	Total direct & indirect greenhouse gases emissions by weight	Generation SF6 At a glance	✓✓
EN17	Other relevant indirect greenhouse gas emissions by weight	–	✗
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	CE Message CCGT	✓✓
EN19	Emissions of ozone-depleting substances by weight	–	✗
EN20	Nox, Sox and other significant air emissions by weight	Flue Gas Desulphurisation	✓✓
EN21	Total water discharge by quality and destination	–	✗
EN22	Total weight of waste by type and disposal method	Waste	✓

GRI code	Description	Reference sections	Scope of coverage
EN23	Total number & volume of significant spills	Environmental management	✓
EN24	Weight of transported, imported, exported or treated waste deemed hazardous (Basel Convention Annex I,II,III & VII) and % of transported waste shipped internationally	–	✗
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run-off	–	✗
EN26	Initiatives to mitigate environmental impacts or products and services, and extent of impact mitigation	CE message Our market place The energy challenge Customers	✓✓
EN27	% of products sold and their packaging materials that are reclaimed by category	–	✗
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental management	✓
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Transport summit	✓✓
EN30	Total environmental protection expenditures and investments by type	Our market place The energy challenge Environmental management Flue Gas Desulphurisation Generation	✓✓
Social – Society			
S01	Nature, scope and effectiveness of any programs and practices that assesses and manage impact of operations on communities, including entering, operating, and exiting	Environmental management	✓
S02	% and total no. of business units analysed for risks related to corruption	–	✗
S03	% of employees trained in the organisation's anti-corruption policies and procedures	–	✗
S04	Actions taken in response to incidents of corruption	–	✗
S05	Public policy positions and participation in public policy development and lobbying	Stakeholder engagement The energy challenge	✓✓
S06	Total no. of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Stakeholder engagement	✓✓

GRI code	Description	Reference sections	Scope of coverage
S07	Total no. of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	–	✗
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	–	✗
Social – Labour Practices			
LA1	Total workforce by employment type, employment contract and region	Diversity	✓
LA2	Total no. and rate of employee turnover, by age, gender and region	–	✗
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	–	✗
LA4	% of employees covered by collective bargaining agreements	Employee engagement	✓✓
LA5	Minimum notice period(s) regarding significant changes, including whether it is specified in collective agreements	–	✗
LA6	% of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	–	✗
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	Safety Occupational health and wellbeing Performance	✓✓
LA8	Education, training, counselling, prevention, and risk control programs in place to assist workforce members, their families, or community members regarding serious diseases	Improving H&S Cardinal rules Occupational health and wellbeing H&S training Supporting communities	✓✓
LA9	Health & safety topics covered in formal agreements with trade unions	Occupational health and wellbeing	✓✓
LA10	Average hours of training per year per employee by employee category	–	✗
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	Training and development	✓
LA12	% of employees receiving regular performance and career development reviews	–	✗

GRI code	Description	Reference sections	Scope of coverage
LA13	Composition of governance bodies and breakdown employees per category according to gender, age group, minority group membership, and other indicators of diversity	–	✗
LA14	Ratio of basic salary of men to women by employee category	–	✗
Social – Human Rights			
HR1	% & total number of significant agreements that include human rights clauses or that have undergone human rights screening	–	✗
HR2	% of significant suppliers and contractors that have undergone screening on human rights and actions taken	Fuel procurement Ethical procurement	✓✓
HR3	Total hours of employee training and policies and procedures concerning aspects of human rights that are relevant to operations, including the % of employees trained	–	✗
HR4	Total no. of incidents of discrimination and actions taken	–	✗
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these risks	–	✗
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Ethical procurement	✓✓
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Recruitment	✓
HR8	% of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to the organisation	–	✗
HR9	Total no. of incidents of violations involving rights of indigenous people and actions taken	–	✗
Social – Social Responsibility			
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvements, and % of significant products and services categories subject to such procedures	–	✗
PR2	Total no. of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by types of outcomes	–	✗
PR3	Type of product and service information required by procedures and % of significant products and services subject to such information requirements	–	✗

GRI code	Description	Reference sections	Scope of coverage
PR4	Total no. of incidents of non-compliance with regulations and voluntary codes concerning product and service information labelling, by types of outcomes	–	✗
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Customer satisfaction	✓✓
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	–	✗
PR7	Total no. of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	–	✗
PR8	Total no. substantiated complaints regarding breaches of customer privacy and losses of customer data	–	✗
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	–	✗
✓✓ = addressed ✓ = partly addressed ✗ = not addressed			

The Global Reporting Initiative (GRI) has pioneered the development of sustainability reporting framework. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. The following index is designed for helping you find some elements associated with GRI Performance structure in this website.

Index	Description	Report reference sections	Scope of coverage
1. Strategy and Analysis			
1.1	Senior Management statement	Introduction CE message Our mission Our journey	✓✓
1.2	Risks, Impacts & Opportunities	Our market place The energy challenge Social – Introduction Environmental – Introduction Energy supply overview	✓✓
2. Organisational profile			
2.1	Name of Organisation	About this report	✓✓
2.2	Primary brands, products, services	Our business,	✓✓
2.3	Operational Structure	Key figures Performance overview The energy challenge – London ESCOLtd	✓✓
2.4	Location of Headquarters	About this report	✓✓
2.5	No. of Countries of operation	Key figures	✓✓
2.6	Nature of ownership and legal form	Key figures	✓
2.7	Markets served	Our business Performance overview	✓✓
2.8	Scale of reporting organisation	Key figures	✓✓
2.9	Significant organisational changes during the reporting period	Energy supply for the future	✓

Index	Description	Report reference sections	Scope of coverage
2.10	Awards received in the reporting period	CE message Our journey Training and development Supporting communities Ethical procurement London Warm Zone Health, work and wellbeing Leadership development programme	✓✓
3. Report Parameter			
Report Profile			
3.1	Reporting period	About this report,	✓✓
3.2	Date of most recent previous report	About this report	✓✓
3.3	Reporting Cycle	About this report	✓✓
3.4	Contact Persons	About this report	✓
Report Scope & Boundary			
3.5	Process for defining report content	About this report	✓✓
3.6	Boundary of the report	About this report,	✓
3.7	Specific limitations on scope/boundary	About this report	✓✓
3.8	Basis for reporting on joint ventures/subsidiaries	About this report	✓✓
3.9	Data measurement techniques and basis of calculations	About this report	✓
3.10	Explanation of re-statements of information provided in earlier reports	About this report	✓
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods	About this report	✓
GRI content index			
3.12	Table identifying location of Standard Disclosures	–	✗
3.13	Policy & practice for external assurance	About this report Assurance	✓

Index	Description	Report reference sections	Scope of coverage
4. Governance, Commitment and Engagement			
Governance			
4.1	Governance structure	Corporate governance,	✓
4.2	Indicate whether Chair is executive officer	Corporate governance	✓✓
4.3	no. of members (& non-exec composition) of Unitary board	Corporate governance	✓✓
4.4	Mechanisms for shareholders and employees to provide recommendations	Training and development	✓
4.5	Linkage between compensation and organisations performance	Social actions	✓
4.6	Processes for governance body to resolve conflicts	Corporate governance	✓
4.7	Processes for determining the qualifications of highest governing body	Corporate governance	✓
4.8	Internally developed statements, missions, goals and codes of conduct	Our commitments Employee safety Occupational Health Training and development Diversity Ethical procurement Environmental management Cardinal rule SF6	✓✓
4.9	Procedures of governance body for overseeing the identification and management of EE&S performance	Environmental management Accounting for sustainability Performance Zero Harm Project Beacon	✓✓
Commitments to External Initiatives			
4.10	Processes for evaluating highest governing body's own performance	Corporate governance	✓
4.11	Explanation of the use of the Precautionary Approach	Our journey	✓
4.12	Externally developed Economic, Environmental & Social (EE&S) charters which the organisation subscribes/endorse	Employee safety The energy challenge Supporting communities Fuel procurement Suppliers Performance targets Safe Warm and Well Project Beacon FGD Property services SF6 Green Lane AONB	✓✓

Index	Description	Report reference sections	Scope of coverage
4.13	Membership in associations or advocacy organisations	CE message Recruitment Ethical procurement Accounting for sustainability Big Wheel of Kent Elektromotive Green Lane AONB	✓✓
Stakeholder Engagement			
4.14	Lists of stakeholders engaged	Stakeholders engagement Public safety Employee engagement Training and development	✓✓
4.15	Basis for identification and selection	Stakeholder engagement	✓✓
4.16	Approaches to stakeholder engagement	About this report Public safety Green Lane Ambassadors An Inconvenient Truth	✓✓
4.17	Key topics and concerns raised by stakeholders and responses within report	CE message Stakeholders Our sustainable future Our journey Our commitments Affordability Continuity of supply Training and development Use of networks Biodiversity UPS	✓✓
✓✓ = addressed ✓ = partly addressed ✗ = not addressed			

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