

Corporate responsibility report 2011

# Unlocking residential potential responsibly...



## Chief executive's statement

Grainger is making strides towards being a Corporate Responsibility leader in the UK residential sector.

"Grainger's maturing approach to sustainability issues is evidence of our commitment to being a CR leader within the UK residential sector."



**Andrew R Cunningham**  
Chief executive

The Executive Team and I strongly believe, and our stakeholders agree, that Corporate Responsibility (CR) leadership is a hallmark of business resilience and maturity.

Over the last three years we have laid a solid foundation for integrating CR into the working practices of our long-established business. Key achievements during 2010/11 include estimating the carbon footprint of a large portion of our UK residential portfolio and making CR business as usual through benchmark KPIs. We demonstrate our commitment to transparency by improving our level of CR disclosure and actively engaging with stakeholders, from industry bodies, to tenants and contractors. 88% of the applicable 2010/11 CR targets that we committed to are fully achieved or are in progress.

Our focus for the year ahead is on making sure our CR programme is embedded across all of our business activities. We are committing to ambitious targets in new areas of our business that will deliver economic, social and environmental value. In 2011/12, each executive board member will take responsibility for the delivery of a pillar of our strategic CR framework ETHOS<sup>1</sup>, driving our CR activities from the highest levels.

I am proud to report the progress we've made during 2010/11 and the direction Grainger plans to take over 2011/12.

As always, I welcome your comments and feedback.

**Andrew R Cunningham**  
Chief executive  
5 December 2011

<sup>1</sup> Please see our full CR report on our dedicated CR website [www.graingercr.com](http://www.graingercr.com) for more information.

## Performance highlights

"Grainger has completed the first stage of the sustainability journey successfully, putting in place a strong foundation of CR policy and reporting."

**Lora Brill** Senior consultant, Jones Lang LaSalle Upstream Energy and Sustainability Services

### Protecting assets and income

#### Customers increasingly satisfied

with the repairs service provided by our contractors, both in terms of punctuality and overall level of service.

#### Driving efficiency

##### 4 out of 7 offices

reduced their annual electricity consumption.

##### -10% carbon intensity

related to office electricity (per employee).

### Investing in communities and places

#### Double

the number of staff involved in volunteering activities, 31 to 61.

#### £55,548 donated

to charitable causes, up from £50,785 last year.

### Responsibility to stakeholders

#### Over half

of technical or professional positions filled by women.

#### Double the percentage

of senior management positions filled by women compared to 2007/8.

#### £625 per employee

Grainger invested in training.

#### 72%

of staff describe Grainger as an extremely or very good employer.

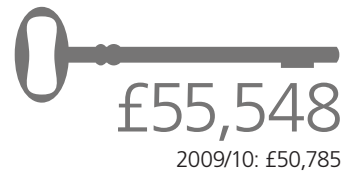
#### Zero

health and safety fines or pollution incidents.

Annual carbon intensity  
(kgCO<sub>2</sub>e/employee)



Charitable donations



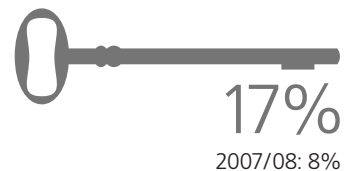
Training per employee



Staff rating Grainger as extremely  
or very good employer



Senior management positions  
filled by women



## Our approach

ETHOS is built to address the long-term risks and opportunities affecting our business.

"Grainger will become a more resilient business thanks to our CR strategy and by being aware of and managing the risks and opportunities arising from the changing environment and growing political and social pressures."

**Dave Butler** Director corporate affairs and IT

### ETHOS

Our CR Strategy, ETHOS, was developed in 2009 to align CR with our business priorities.

ETHOS is built to address the long-term risks and opportunities affecting our business. The overall purpose is to make Grainger a resilient business which we define as our ability to:

- Manage risk;
- Maintain income streams;
- Protect value in a low growth, low carbon environment.

Numerous policies and procedures underpin our CR strategy. These are available on the Policies and Principles page of our website.

Each year we identify immediate risks and opportunities that we carefully address through annual targets. Over the last two years, our approach to delivering our CR strategy has evolved to include the use of benchmark key performance indicators (KPIs) as well as annual targets. While annual targets help Grainger to address risks and opportunities that are new or which the company hasn't focussed on previously, benchmark KPIs set minimum standards that we aim to meet every year, often as one-time CR targets mature into business-as-usual operations.

More information on our Policies and Principles please see our dedicated website [www.graingercr.com](http://www.graingercr.com)



## ETHOS

### Influencing the future

Establishing Grainger as a CR leader through active government engagement and industry debate.

More information see **page 6**

### Protecting assets and income

Proactive management of CR risks and opportunities to protect income streams.

More information see **page 8**

### Driving efficiency

Efficiency in working practices to make Grainger a lean business and to minimise environmental impact.

More information see **page 12**

### Investing in communities and places

Maximising portfolio value by investing in places and engaging with communities.

More information see **page 16**

### Responsibility to stakeholders

Managing stakeholder relationships to achieve transparency, understanding and trust.

More information see **page 18**

Alignment, resilience and value



# Influencing the future

Establishing Grainger as a CR leader through active government engagement and industry debate.

**Progress against targets**

**2010/11 targets**

Target 1:  
Building on existing initiatives, produce a responsible procurement framework to cover property services, refurbishment and new development.

Target 2:  
Identify the key sustainability policy issues presenting risks and opportunities for Grainger and develop Grainger policy positions.

Target 3:  
Engage with government and other stakeholders on key sustainability policy issues identified.

	Achievement
Target 1	Not applicable
Target 2	Yes
Target 3	Yes

**What we want to achieve**

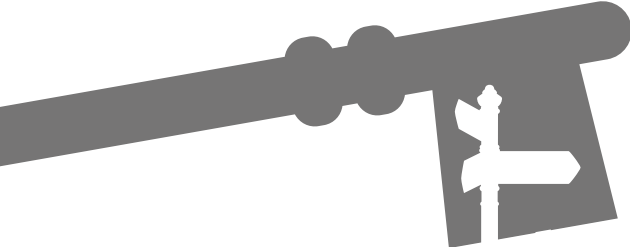
Grainger’s ambition is to be the company to consult on issues related to the future of the UK residential industry, including CR. We also aim to raise CR awareness and standards across the industry.

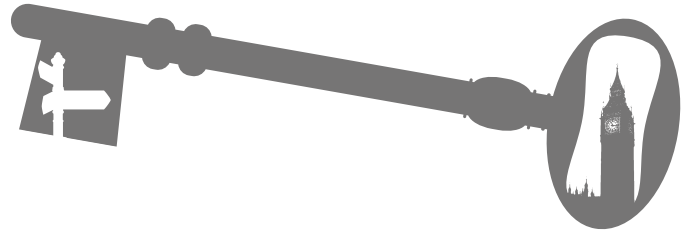
**Why it matters**

Through proactive engagement Grainger can shape, and be fully prepared for, the issues that will impact housing in the coming years. Grainger can also enhance its reputation as a sector leader.

**Our performance this year**

- We developed a risk register for monitoring immediate CR risks and opportunities in a more strategic way.
- We discussed and established company positions on key policy issues through our Green Projects Group, for example our positive stance on the Green Deal.
- We proactively communicated Grainger’s views on upcoming policy to Government, such as the Energy Bill.
- We engaged in practical industry debate throughout the year, for example Grainger chaired a British Property Federation residential sustainability workshop in March 2011.
- We contributed to industry research, such as L&Q’s report on the future of sustainable housing, ‘Where next?’ Housing after 2015? Grainger plans to focus more heavily on research in future, utilising our unique access to residential data.





#### Case study:

### Engaging with government on policy issues and participating in industry research



“Grainger’s ambition is to be the company to talk to on any issue relating to the future of UK residential property.”

**Kurt Mueller** External affairs manager

Grainger has worked hard over the last year to help inform policy decisions to ensure the best possible outcome for the UK housing market. To that end we have continual dialogue with central Government, politicians and local Government and we have submitted evidence to various Government consultations on policy areas such as real estate investment trusts, office to residential conversions and planning reform.

In addition, we have worked closely with the Resolution Foundation, the think tank, to support them in their research programme into the housing market for low to middle income earners. Resolution Foundation has identified the private rented sector as one of the main housing tenures to support these individuals. Resolution Foundation are developing a model to support institutional investment in family friendly, build-to-let accommodation with longer term tenure that will increase the supply of housing accessible to low to middle income earners. Grainger is very happy to engage with the Resolution Foundation on this project.

# Protecting assets and income

Proactive management of CR risks and opportunities to protect income streams.

**Progress against targets**

**2010/11 targets**

**Target 1:**  
Carry out sustainability assessments of a sample of properties and use to model portfolio carbon footprint and sustainability risks.

**Target 2:**  
Carry out an analysis of which properties could take advantage of FiTs, and which technologies are most suitable. Consider a pilot scheme.

**Target 3:**  
Establish a customer engagement programme by 2011 (focussing specifically on sharing environmental information and on community improvement initiatives).

**Target 4:**  
Investigate tenure specific customer satisfaction indicators. Where appropriate indicators are identified, report on these at the end of the year.

	Achievement
Target 1	Yes
Target 2	Yes
Target 3	In progress
Target 4	In progress

**What we want to achieve**

Grainger’s overarching aim is to be a resilient business that anticipates and adapts to risks and opportunities that are likely to impact our assets and income streams. Improving the sustainability of our properties and maintaining satisfied tenants are fundamental aspects of proactive management.

**Why it matters**

By carefully responding to risks and opportunities, Grainger can manage risk and differentiate from peers in the current uncertain economic climate.

**Our performance this year**

- We assessed the energy efficiency and estimated the carbon footprint of our UK residential portfolio, dramatically increasing our understanding of the sustainability of our assets.
- We investigated the potential environmental and financial benefits of Feed in Tariffs (FiTs) and selected a site for a photovoltaic (PV) installation pilot scheme. However, the Government’s recent changes to the FiT scheme have forced us to review the business case.

- We focused on communicating more effectively with our tenants, including on environmental issues. For example, we created a Green Tips guide and launched ‘Residents’ HQ’ at some sites, an online forum for residents and property managers to interact.
- Staff time constraints kept us from completing the entire planned customer engagement programme, such as updating our tenant welcome packs. However, we commit to rolling these out in 2011/12.
- We have seen a decline in customer satisfaction related to Grainger’s own management services. We selected new customer satisfaction indicators to be collected and reported on in 2011/12. These will help increase our understanding of and response to tenants’ needs.





## KPIs

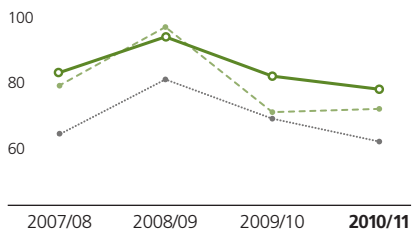
### Energy Performance Certificate rating<sup>1</sup>

2010/11 (% of properties)



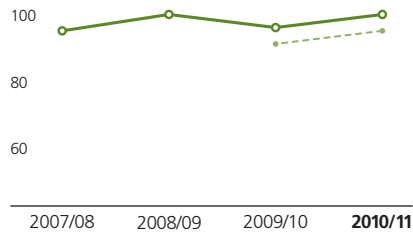
### Tenant satisfaction

GRML (% of respondents)



- Percentage of leaving tenants who would consider renting another flat managed by GRML
- - - Percentage of leaving tenants who would recommend GRML to a friend
- ..... Percentage of GRML tenants who rated Grainger's management service as good or excellent

Contractors (% of respondents)



- Percentage of tenants rating contractors at good or above
- - - Percentage of contractors that were punctual

## Protecting assets and income continued



### Case study: Carbon mapping

Grainger's first attempt to rigorously quantify and publish the carbon impact of its tenants' building-related energy use was completed this year. We have produced a statistical estimate (95% confidence level) of the carbon footprint of two major portfolios, being UK residential (excluding Grainger GenInvest) and G:res.

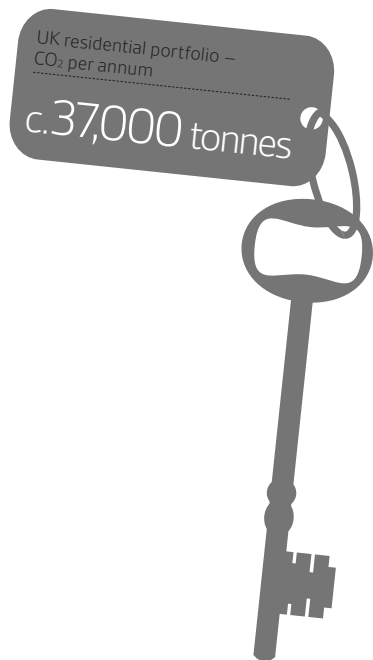
Our modelling, based on data taken from Energy Performance Certificates, showed that UK residential (excluding Grainger GenInvest) homes in use contribute approximately 37,000 tonnes of CO<sub>2</sub> per annum (+/- 3,000 tonnes). A majority of these properties are subject to regulated tenancy. G:res, primarily market-led units contributed 5,000 tonnes (+/- 120 tonnes). In contrast, Grainger's own offices and travel generate only approximately 677 tonnes CO<sub>2</sub>e.

UK residential includes distinct property types. The majority of the units (5,700), on average, produced annually 5.7 to 6.7 tonnes of CO<sub>2</sub> each. However, a distinct subgroup of the portfolio of 550 units, is much more efficient, producing on average just 2.5-2.7. The G:res portfolio is also fairly efficient on average with carbon emissions of 3.0 to 3.2 tonnes per unit.

That CO<sub>2</sub> from most UK residential units is, on average, twice that of the average G:res unit, clearly demonstrates the difference between property types within the two portfolios. UK residential figures are in line with estimates for average housing stock in England (English Housing Survey). Grainger's UK residential portfolio is a fair proxy for the houses which Government aims to increase the efficiency of by 2020 (UK Climate Change Act 2008).

Grainger's understanding of the complex interaction between tenure type, tenant demographics and the market demand for various energy efficiency incentives, gives us a strong and credible basis to engage Government and others on shaping energy efficiency legislation and modelling its likely impact.

Over the next year we intend to further improve the quality and quantity of the data that we can capture, to refine our model and to explore ways to extend our modelling to other portfolios, particularly those within Retirement Solutions. We will also seek to use this data to engage with stakeholders and Government to understand and influence thinking in this vital area.



\* Estimate excludes Grainger GenInvest.

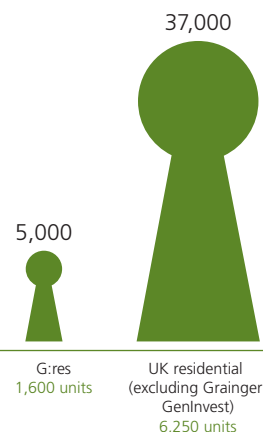


Relative annual estimated carbon emissions of Grainger's business activities (CO<sub>2</sub>e) and emissions of portfolios it owns or manages (CO<sub>2</sub>)<sup>1, 2</sup>

#### Grainger business activities



#### Residential Portfolios



<sup>1</sup> CO<sub>2</sub> emission predictions provided by Energy Performance Certificate include heating, lighting and hot water. CO<sub>2</sub> from appliances such as ranges, refrigerators, televisions are not included in the calculation of building related emissions.

<sup>2</sup> The chart shown here illustrates the central estimate of emissions for Grainger's portfolio and does not include the full confidence interval range referenced in the text.

"We will use our carbon database to influence the development of policies aimed at improving the energy efficiency of existing UK housing stock in the private Rented Sector."

**Nick Jopling** Executive director



# Driving efficiency

Efficiency in working practices to make Grainger a lean business and to minimise environmental impact.

**Progress against targets**  
**2010/11 targets**

Target 1:  
Update and further develop Grainger's Eco-Champions Action Plan based on two years of practical experience and best practice standards. Integrate with the Eco-Champions KPIs tracked in previous years to establish an overall standard for each office to achieve or beat this year.

Target 2:  
With a view to reducing carbon emissions by 5% from 2009/10 levels, undertake an internal awareness campaign.

Target 3:  
Provide Property Services with an internal quality management system.

Target 4:  
Report carbon emissions from common area electricity usage in a sample of flat blocks based on quarterly meter readings.

	Achievement
Target 1	Yes
Target 2	Substantially achieved
Target 3	No
Target 4	No

### What we want to achieve

Grainger aims to operate as efficiently as possible. This means better understanding the environmental impacts over which we have direct control, monitoring these impacts and reducing them over time.

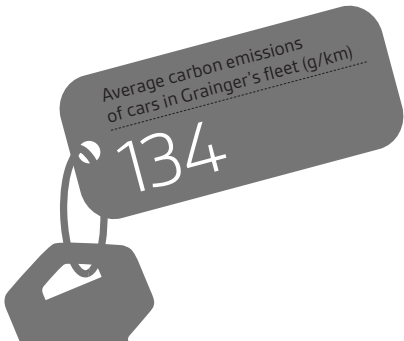
### Why it matters

By increasing our efficiency, we can save both costs and valuable natural resources. We can also engage employees by demonstrating that we take our environmental impacts seriously and by seeking their ideas.

### Our performance this year

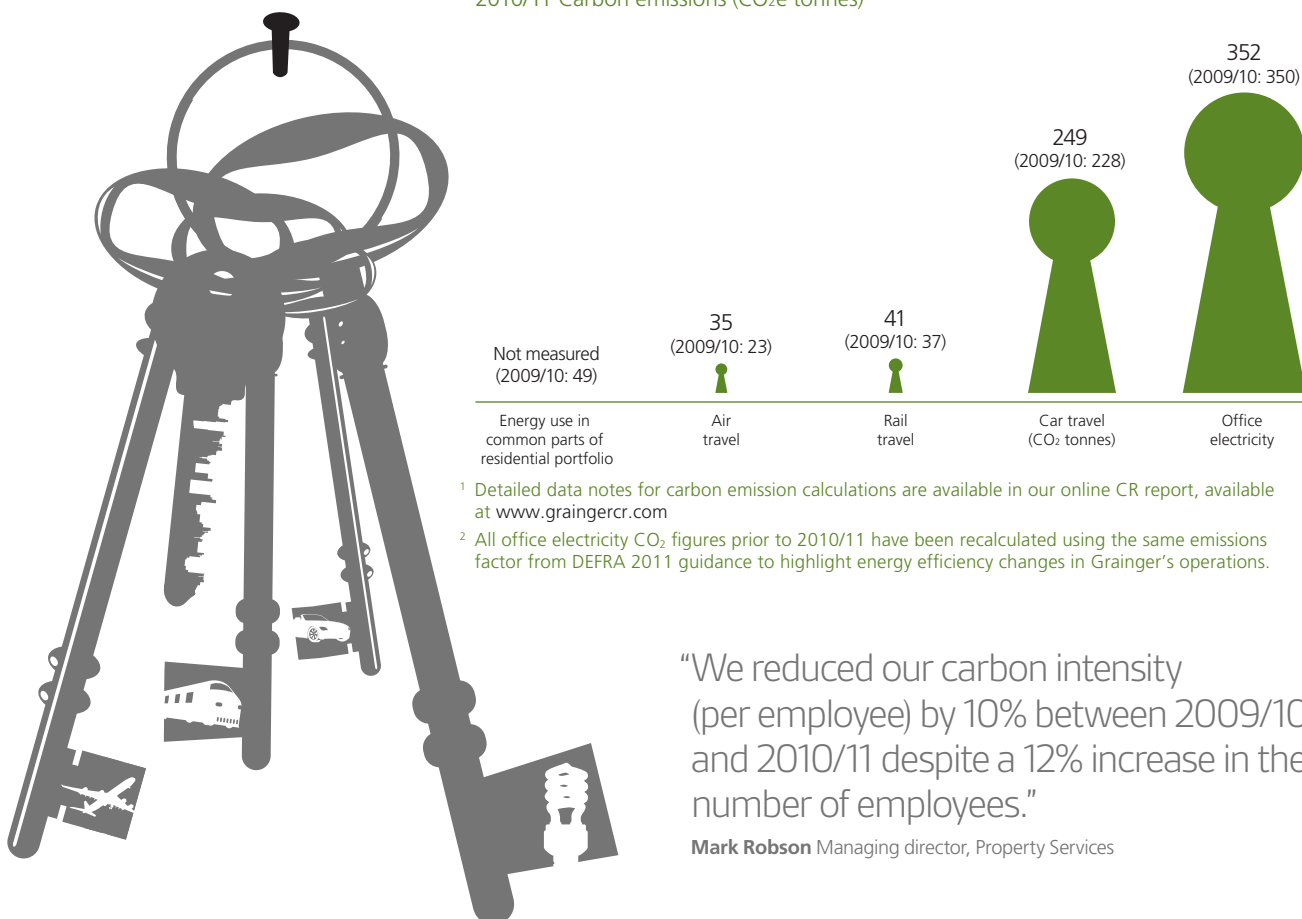
- We developed our approach to managing the environmental impacts of our operations by establishing standards to be applied across our offices, such as the elimination of disposable cups.
- Mark Robson, director of Property Services, began engaging with our office landlords to encourage greater consideration of energy, water and waste issues throughout the buildings.

- We increased awareness of our green office practices through a UK offices internal roadshow and a staff green travel survey. We recognise that we can do more to engage employees internally, particularly senior management, so raising awareness will remain a focus in 2011/12.
- Our carbon emissions from office electricity consumption increased marginally by 1% compared to 2009/10. However, we are proud to note that four out of our seven offices reduced their annual electricity consumption. We also reduced our carbon intensity (per employee) by 10% between 2009/10 and 2010/11 given a 12% increase in the number of employees.
- Due to property managers' time constraints, we did not succeed in collecting sufficient common area electricity data to estimate carbon emissions. We are keen to understand this consumption, so we intend to make gathering this data a priority in 2011/12.



## KPIs

### 2010/11 Carbon emissions (CO<sub>2</sub>e tonnes)



<sup>1</sup> Detailed data notes for carbon emission calculations are available in our online CR report, available at [www.graingercr.com](http://www.graingercr.com)

<sup>2</sup> All office electricity CO<sub>2</sub> figures prior to 2010/11 have been recalculated using the same emissions factor from DEFRA 2011 guidance to highlight energy efficiency changes in Grainger's operations.

"We reduced our carbon intensity (per employee) by 10% between 2009/10 and 2010/11 despite a 12% increase in the number of employees."

**Mark Robson** Managing director, Property Services

## Driving efficiency continued



### Case study:

#### Setting higher environmental standards for our offices

Grainger established its first green office action plan in 2009 to reduce the environmental impacts of our offices.

During 2010/11, we updated this plan to move from an encouraged but optional framework, to establish standard policies. We now require the use of recycled paper and procurement of eco-friendly soap and washing up products. Our offices will no longer purchase disposable cups.

We also strengthened the advice given to staff to use video conferencing facilities where possible, in line with Grainger's Green Travel Policy. Our next step is to ensure that all seven of our offices are applying these standard policies.

By aligning our working practices across our offices, we aim to minimise waste and use resources as efficiently as possible. This will benefit the environment and save Grainger money.





#### Case study:

### The Green Projects Group

Grainger is looking to the future with its Green Projects Group.

The project, chaired by Peter Couch, Grainger's chief operating officer and executive director, Retirement Solutions, focuses on managing the opportunities and threats to Grainger arising from climate change.



"The Green Project Group provides a forum for business discussion of the issues and opportunities raised by and through our CR activities."

**Peter Couch** Chief operating officer

#### The Green Project Group is organised into two work streams:

- Mark Woodrow and Phil Nelson focus on opportunities for new revenue. This stream investigated Feed in Tariffs in 2011, whereby property owners can set up micro-generation systems (usually solar panels) to provide electricity for their own property and sell any surplus to the National Grid.
- Kurt Mueller monitors potential risks to Grainger's business from government legislation, such as the Energy Bill, which may restrict lettings of properties below certain energy efficiency levels.

The GPG is an example of how we are embedding our Corporate Responsibility strategy into our business.

# Investing in communities and places

Maximising portfolio value by investing in places and engaging with communities.

### Progress against targets

#### 2010/11 targets

Target 1:  
Report on how each active development has incorporated consideration or development of renewable energy. Embed consideration of renewables into the acquisition, design and planning stages of development.

Target 2:  
Identify a number of relevant benchmark KPIs that are most important to Grainger in driving sustainability for the development department. Identify the levels Grainger will aim to beat or achieve and add those for end of year reporting.

Target 3:  
Identify a number of relevant benchmark KPIs that are most important to Grainger in driving sustainability for the refurbishment department. Identify the levels Grainger will aim to beat or achieve and add those for end of year reporting.

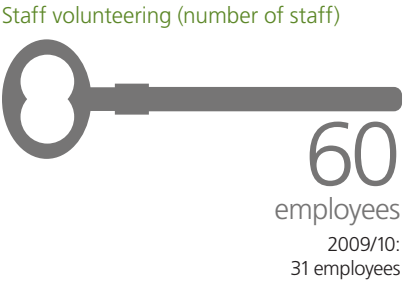
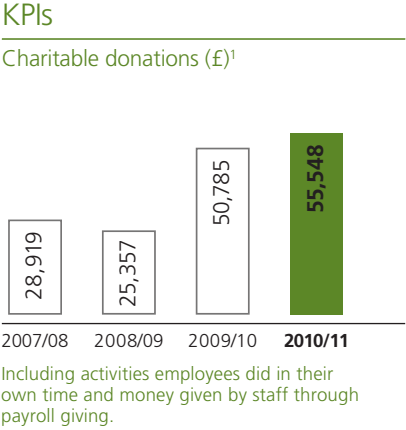
	Achievement
Target 1	Yes
Target 2	Yes
Target 3	In progress

**What we want to achieve**  
Grainger seeks to demonstrate its long term commitment to the communities in which it operates by improving the economic, social and environmental quality of these environments.

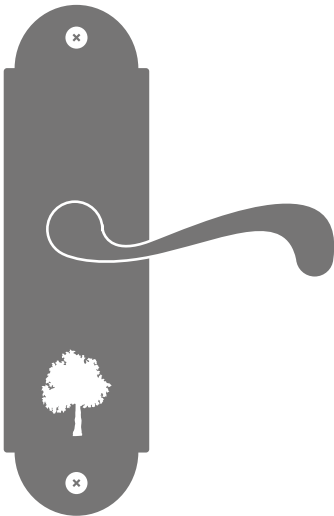
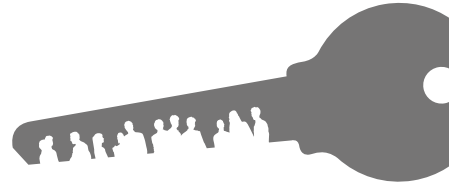
**Why it matters**  
By distinguishing the company in such a way, Grainger hopes to improve our reputation among stakeholders and to increase support for our involvement in development projects.

**Our performance this year**

- We incorporated renewable energy into the planning stages of all active new developments, including solar PV and Combined Heat and Power (CHP).
- We integrated CR considerations further into our development and refurbishment activities by establishing new benchmark key performance indicators (KPIs). These include commitments to using FSC certified timber on all new major developments and registering sites where Grainger is doing major refurbishment work with the Considerate Constructors Scheme.





**Case study:****Achieving higher levels of the Code for Sustainable Homes for developments**

Grainger aims to enhance communities by delivering quality, sustainable developments. To this end, Grainger commits to achieving CSH level 4 on all new schemes.

Our regeneration scheme in King Street, Hammersmith is an example of this in practice. The development will include 290 residential units alongside 38,000 sq ft of retail space and 85,000 sq ft of council offices. The scheme submitted for planning is achieving CSH level 4. Sustainable measures include a centralised Combined Heat and Power (CHP) system, photovoltaic panels and green roofs. The design also includes a new public square and carefully considers public access.

Through aspiring to higher levels of the code, Grainger can strengthen its reputation as a company that follows best practice and delivers sustainable residential led developments.

**Case study:****Investing in our Paralympic athletes**

Grainger is a proud sponsor of three brilliant medal-hopefuls for the 2012 Paralympics, all of whom call the North East home like Grainger!

- Stephen Miller, die hard Newcastle United fan, born-celebrity as seen on Channel 4's 'That Paralympic Show', triple world champion and three time Gold medal winning field athlete in the Paralympics.
- Eleni Papadopoulou, currently a full time student, double European silver medallist, 8x British record holder and 2x European record holder in swimming, and overall over-achiever from Gateshead.
- John Robertson, ex-RAF who worked on a Harrier Squadron, double world champion sailor, hailing from Sunderland. John and his Sonar Sailing teammates Hannah Stodel and Stephen Thomas, were the very first athletes announced for the GB team for the 2012 games.



# Responsibility to stakeholders

Managing stakeholder relationships to achieve transparency, understanding and trust.

## Progress against targets

### 2010/11 targets

Target 1:  
Conduct health and safety audits for 100% of Grainger's managing agents.

Target 2:  
Conduct health and safety audits for 100% of Grainger's contractors undertaking projects under CDM regulations.

Target 3:  
Implement a programme of activity to improve employee health and well being in order to boost morale.

Target 4:  
Align the 2010/11 report to GRI Standard level C.

	Achievement
Target 1	Substantially achieved
Target 2	Substantially achieved
Target 3	Substantially achieved
Target 4	Yes

## What we want to achieve

We want our stakeholders to fully understand the nature of Grainger's business activities and be confident that we take our environmental and social responsibilities, as well as economic, seriously.

## Why it matters

Externally, Grainger can improve its public image and learn from others by communicating openly. Internally, we aim for employees to feel challenged and valued in their work.

## Our performance this year

- We ensured that our contractors and managing agents are operating in line with Grainger's health and safety standards by completing a series of H&S audits. We are aiming to incorporate environmental criteria into this auditing process in 2011/12.
- We are in the process of launching a new intranet site focused on improving the health and wellbeing of our employees. The launch involves a pedometer challenge for staff. This project was unfortunately delayed during the year due to our focus on an online e-benefits portal for staff.
- We demonstrated our commitment to transparency by aligning our full online 2010/11 CR report with the requirements of GRI level C.

## KPIs

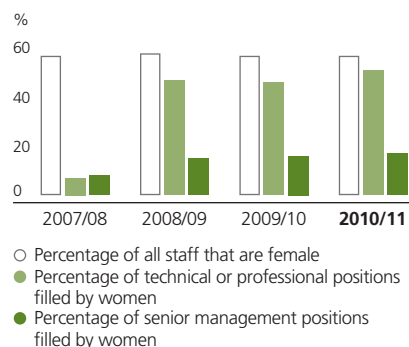
### Staff training<sup>1</sup>

Grainger invested £625 in training per employee in 2010/11, lower than during our training drive in 2009/10, but higher than in 2007/8 and 2008/9.

### Investment in staff training



### Proportion of positions filled by women



<sup>1</sup> Training KPI figures do not include Board members.



#### Case study:

### Process of auditing managing agents and major contractors against H&S criteria

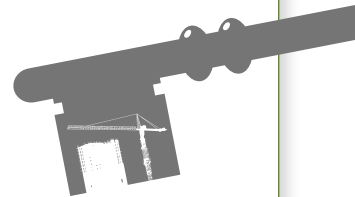
Grainger has a robust internal health and safety audit process to ensure that our managing agents and major contractors meet their legal requirements and Grainger's own health and safety standards.

All managing agents are audited on a bi-ennial basis and all major contractors on an annual basis. We use an internally developed set of criteria (based on OHSAS 1800 as well as significant risk areas identified by Grainger) to grade each company. An action plan is produced to address any areas of weakness and Grainger is committed to working with its managing agents and contractors to make sure the necessary improvements are implemented. As of 30 September, we had completed 89% of our managing agent audits and 83% of our major contractor audits.

By ensuring that the firms with which we work meet our health and safety standards, Grainger can demonstrate its commitment to providing a safe work environment for all our stakeholders. We plan to develop our audit protocols to include environmental criteria in 2011/12.

"Grainger has a robust internal health and safety audit process. We plan to develop our audit protocols to include environmental criteria in 2011/12."

**Tony Murphy** Director of health and safety



## Future commitments

“Our targets for 2011/12 align Corporate Responsibility with Grainger’s commercial priorities and demonstrate our commitment to becoming a sustainability leader in the UK residential sector.”

**Andrew R Cunningham** Chief executive

### 2011/12 targets

#### Influencing the future

- 1 Publish two research reports on relevant CR policy issues for Grainger (e.g. the rented housing sector or equity release sector).
- 2 Organise and host one practical workshop or roundtable with another organisation to investigate a relevant CR policy issue.

#### Protecting assets & income

- 3 Publish an executive director approved policy outlining how Grainger values sustainability risks and opportunities in its investment process.
- 4 Establish a formal tenant complaints procedure with performance standards for response times and response quality. Ensure that all staff are trained on this new procedure.
- 5 Update Grainger’s existing auditing process for managing agents and contractors to include environmental criteria. Managing agents to be asked to supply details of their environmental management and sustainability procedures. Contractors to be measured against standards set by Grainger (based on Considerate Constructors Scheme criteria).

#### Driving efficiency

- 6 Organise a Corporate Responsibility innovation day for 30 Grainger staff and selected external stakeholders to identify opportunities for Grainger to improve its environmental and community performance.
- 7 Create and document standards for purchasing IT equipment to ensure that Grainger is acquiring environmentally friendly kit.
- 8 Update the existing EMS to integrate the system more closely with Grainger’s refurbishment and property service operations.
- 9 Collect annual electricity, gas and water meter readings at all blocks for which Grainger purchases utilities.
- 10 Analyse the environmental and socio-economic costs and benefits of our procurement strategy in terms of using local vs national suppliers.

#### Investing in communities and places

- 11 Place ten individuals in new apprenticeship or trainee management positions within Grainger’s own UK operations or with contractors through agreements. (These positions should consist of a contracted position for a minimum of 12 months).
- 12 Put in place a committee to oversee Volunteering and Charity activities to help achieve Grainger’s benchmark KPI of 30% of staff volunteering one working day and to coordinate and promote charitable fund raising, giving and other relevant activities.

#### Responsibility to stakeholders

- 13 Include updates on all CR benchmark KPIs and target progress in the monthly senior management information pack.
- 14 Plan and implement a one-month employee health and wellbeing initiative in Summer 2012 connected to the Olympics.
- 15 Create a CR library with information on Grainger’s policies, achievements and FAQs for use in internal and external communications on Grainger’s CR approach.

