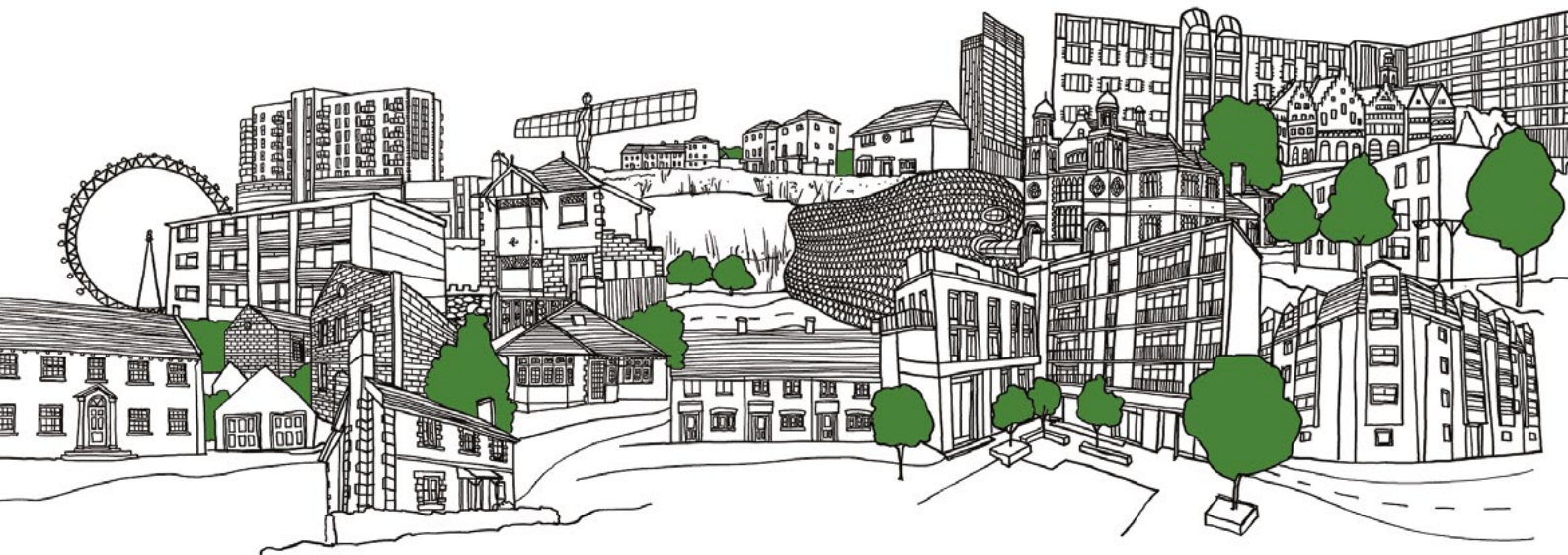


Leading the way to a better tomorrow

Sustainability Summary Report 2014



¹ Investing in homes since 1912
grainger plc

Our values

As a responsible business, we take a **long-term** approach to what we do. We are proud to be, and committed to continuing as, the leader in the residential property sector. This means...

- We are always striving to be the best, whether it's **improving** how we do things or finding new opportunities that give us the edge in the residential market.
- Our **expertise** is the key to our success, creating **confidence** in both ourselves and others.
- At the heart of all of this is a **mutual respect**, whether it is for colleagues, customers, competitors, communities or our clients.



It's who we are

Last year, we defined the values that make Grainger what it is today. Thanks to the significant involvement of staff in their creation, our values were not a surprise to anyone that knows our Company and are now more alive than ever. This year, we focused on embedding these values so that they underpin everything we do. We implemented a year-long communication plan that not only helped our staff understand the values and associated behaviours but explained how to apply them in their day-to-day decision making.

We continue to embed these values by recognising good examples of their application, encouraging managers to use them during employee appraisals and recruitment, and using them as a benchmark for general management.

Our business

We are incorporating sustainability risks into Grainger's overall risk management processes to ensure on-going alignment and an integrated, future orientated approach. Doing this means we will develop and maintain our sustainability strategy as part of our business strategy, but it will also have an independent existence in terms of specific areas of focus, disciplines and internal integrity.

Our business strategy provides a competitive advantage for **leadership** in the residential sector. We prioritise locating our assets in areas that deliver the best **returns** for our partners and investors, capitalising on long-term trends such as growth on the private rented sector (PRS), and actively measuring the sustainability risk of our properties. Our **balanced** financial approach, and the **optimisation** of our assets and income, ensures the long-term sustainability of our business.

Our sustainability strategy follows the same themes as our business strategy, substituting only "Alignment" for "Returns".

- **Leadership:** we have and will maintain a position of leadership in the field of sustainability, as measured against our peers in the property industry and more generally;
- **Alignment:** our sustainability and business strategies are and will be aligned. Nothing in our sustainability strategy is there for its own sake, but is complementary to the long-term advancement of our business. Nothing in our business strategy will contradict our sustainability strategy;
- **Balance:** we will seek to balance the interests of all our stakeholders – colleagues, customers, competitors, communities, investors, partners, clients and others;
- **Optimisation:** we will make the best of the assets in our care and will exercise stewardship in the discharge of our obligations. We will also leverage our relationships with our partners to maximise the impact that we can have in areas of common interest.



At the heart of our strategy, our values guide the behaviours of our employees in operating a responsible business, and are supported by stretching sustainability targets and Key Performance Indicators (KPIs) that minimise our exposure to sustainability risks and enable us to capitalise on opportunities.



Our performance

progress against 2013/14 targets*

71% TARGETS ACHIEVED



Achieved



Partially
Achieved



Measure and improve tenant satisfaction in G:Invest and Walworth portfolios between 2013 and 2014



Define and improve the PRS tenant communication experience



Launch the agreed Property Conditions Assessment Programme as part of the repairs and maintenance activities in 2014



Implement embedding plan for Grainger's company values



Integrate Grainger's EMS fully into our procurement processes



Create a joint multi-year strategy with Kier to implement Grainger and Kier's aligned CR priorities in property maintenance



Report on the GHG emissions generated by Kier in delivering services for Grainger in 2014 and set a target to reduce footprint in 2015



Incorporate the reporting of sustainability risks within the Group's risk management framework



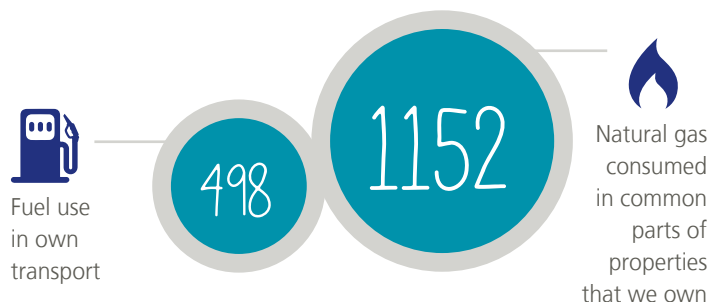
Actively contribute to organisations that measure sustainability in real estate to drive the residential perspective

Our carbon footprint*

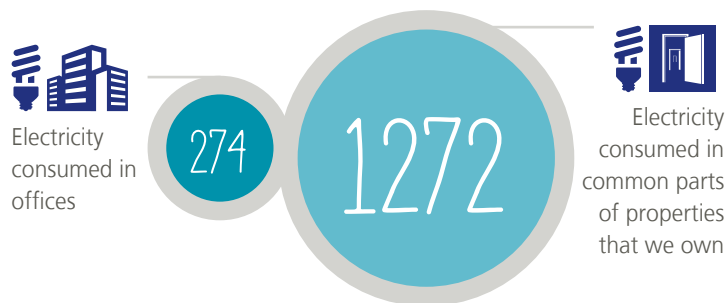


LEVEL OF CONTROL: ● High ● Moderate ● Low ● Minimal

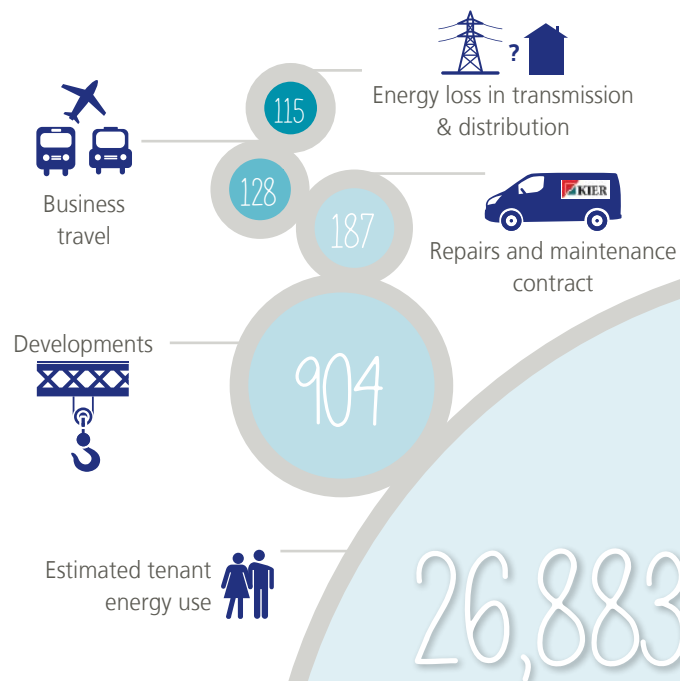
SCOPE 1



SCOPE 2



SCOPE 3



*For our full carbon footprint see our Annual Report & Accounts at www.graingerplc.co.uk/investors

Our customers

constantly improving our service to our customers

At Grainger, we have always been customer focused. With increasing demand for rented accommodation and therefore increased competition, we must adapt by having a “customer first” approach that moves quickly with tenant expectations. We therefore must increasingly regard our tenants as customers like our investors and joint venture partners.

We are working hard to improve our offer to customers, ensuring that we can attract and retain them. As part of that drive we are training our staff to think how they can provide our customers with the best possible experience when dealing with Grainger. We are using tenant satisfaction surveys to show us where we can improve. While 77% of customers were “very satisfied” with our management service, they also said we could improve the move-in experience and our communication with them. We therefore created “contact us” cards, a new tenant’s handbook, and have mapped all points along the customer’s journey as a Grainger tenant where we can communicate with them more effectively. We have also improved our tenant website and are proactively responding to queries and concerns on social media. For 2015, one of our priorities is evaluating how we can improve our complaints process.

As a long-term investor, we also look to anticipate longer term customer needs. With specialist researchers, Mindfolio, we have researched what future renters would like to see when it comes to the design and management of private rented sector homes. In addition, we commissioned research into how homes will be used in the future, shared in our report [Tomorrow’s Home](#), and contributed to the

Urban Land Institute’s Build to Rent design guide. After reviewing the findings, we are taking action to respond to these trends, for example at our London Road, Barking development which will launch in 2015.



Our employees

at the heart of our reputation

Our employees are constantly striving to improve upon our previous successes. They are key to our success and are the driving force that moves our business forward. Investing in our employees and ensuring they are engaged, motivated and well informed gives us the competitive advantage that helps keep us at the forefront of our industry.

We encourage our teams to proactively share their knowledge and experience with the wider industry. For example, Grainger Executive Property Director, Nick Jopling, has chaired the Urban Land Institute's (ULI) UK Residential Council (where he led the development of the UK's first ever Build to Rent Design Guide). Another Grainger employee was a member of the Government's Private Rented Sector Taskforce.

To enable our employees to succeed, we focus and continually invest in their development. A great example of our success in nurturing talent is that out of fifteen current property managers, ten began their careers at Grainger as property assistants.

We ensure that our staff understand the risks and opportunities from sustainability that impact their day-to-day decision-making in managing our assets. In 2014, we delivered role-specific sustainability training to all our dedicated GRIP staff which focussed on practical actions our staff could take to

improve the sustainability performance of the GRIP portfolio.

How have we achieved results? It begins with our work experience program through which we supported the development of 41 aspiring students last year, and carries on into our graduate programme where we look to attract the best talent into the property sector.

Over the last year we held more than 80 training and briefing sessions for all our employees, covering technical, professional, systems, project management, finance, presentation and negotiation, media and health and safety skills. When we can, we use the expertise held by our employees and partners to deliver training, which helps build mutual respect and facilitates knowledge sharing.

We help employees to achieve professional memberships and accreditations, in particular to the RICS, ARLA, and the ULI, and support further education and executive courses to ensure our senior managers meet their leadership potential.

Perhaps most importantly, we look to create an open culture in the office where the reason for decisions being made can be discussed and challenged and individuals feel that they can progress in their careers.



Our communities

We actively support communities to thrive and become places people not only want to live in but be a part of.

On our Wellesley development in Aldershot, we are sharing our expertise with local young people through employing an apprentice on the project and encouraging our contractors to follow our lead in providing training and work experience.

The project was awarded Planning Permission of the Year at the inaugural Planning Awards 2014. The judges praised Grainger for the impressive reuse of brownfield land for a scheme that would offer major social, environmental and economic benefits. The development will see 3,850 new homes built in Aldershot and see the town expand significantly for

the first time in 100 years. It will also include new schools, new green spaces, and community and sports facilities.

The development will also see many of the town's historic and listed military buildings renovated and protected and we are striving to preserve and leverage the unique features of the site wherever possible. At the Smith Dorrien building, a refurbished listed building that currently houses the Grainger project site office, we held an opening event attended by 70 people, with local residents and businesses, and representatives from Grainger and our development partners, the Ministry of Defence. Eventually the building will be a community hub, and in the interim period we are providing local community organisations such as Farnborough

Food Bank with space to operate. We also support local events, festivals and organisations through sponsorship and fundraising, including Aldershot Town Football Club's Shots in the community.

Our commitment also extends to active participation in and support for communities around our existing assets. In 2014, Grainger sold what used to be a builders yard to the Moor Pool Heritage Trust in Birmingham, a local community charity which plans to turn the site into a community garden and outdoor classroom for local residents to enjoy. To help the Trust kick-off the project, staff from Grainger's Birmingham office and our partners Kier volunteered for a day to prepare the site ready for landscaping.



Our properties

improving and benchmarking our performance



We aim to do this by actively managing our properties. We recognise that a big part of this process is to ensure our properties are socially, environmentally and economically sustainable. We are proud that the actions that we have taken to improve the sustainability of our buildings has helped to improve our position in the Global Real Estate Sustainability Benchmark (GRESB). In particular, our GRIP fund was awarded "Sector Leader" in the "Residential Small Cap" category while also being placed in the group of leading companies to have been awarded a 'Green Star.' We were also one of only 16 organisations out of 86 assessed to be awarded an EPRA Gold Award for reporting on the environmental performance of our properties, and we have maintained our inclusion on the FTSE4 Good index.

We have improved the energy efficiency of our properties through a programme of building fabric upgrades under the Government's ECO scheme. To date, 337 properties have benefited from these works, including loft insulation and boiler replacements in properties. We deliver long-term value by actively managing our properties. On our refurbishments, we work closely with our contractors to inform them of our sustainability policy and

include sustainability criteria within the tender and specification documentation. We have exceeded industry green building standard norms. Last year we completed a total of 105 homes, 50 of these were built to Code for Sustainable Homes Level 3, 22 built to Level 4 and the remainder to EcoHomes Very Good.

We have pioneered the use of smart meters on our GRIP portfolio, achieving 69.5% coverage of our sites, putting us ahead of the curve to achieve the UK's target by 2020. Smart meters allow our customers to control their consumption of energy to keep bills down.

To improve tenant awareness of their water usage and also deliver financial longer term benefits to the fund, we have reviewed water supplies to our GRIP portfolio properties to ascertain whether main meters or preferential sub-meters can be installed. We also look to support our tenants in changing their own behaviour, for example through providing cycle storage, sharing green tips, and through implementing improvements to common areas in our properties.



LEADING THE
 MARKET



FTSE4Good



Tomorrow's Home

We partnered with ADAM Urbanism to learn how emerging social trends will impact on tomorrow's homes in England and Wales and how people live in them. Here is what we found...

INDIVIDUALISATION

A picture of increasingly private and internalised home-based living is emerging with more people living alone and many activities such as work, entertainment and shopping taking place in the home.

FLEXIBLE LIFESTYLES

Younger generations are increasingly resisting commitment to the more traditional milestones of adulthood in family, work and housing. They want more flexible lifestyles as they mature. New Technologies provide a new "downloadable lifestyle" which provides social freedom while releasing constraints on wealth and housing.

THE NEW COLLECTIVISM

There is an emergence of new types of shared spaces, distributed communities and a resurgence of urban public life. People are building new kinds of communities and business models that are fuelled by the growing sharing economy.

CAR JOURNEYS HAVE
DECLINED



AND LONDON HAS THE LARGEST
CAR CLUB IN EUROPE



WORK, SHOPPING AND
ENTERTAINMENT ARE
MOVING INTO THE HOME



FEWER PEOPLE FELT A SENSE OF
CONNECTION TO THEIR NEIGHBOURHOOD



60% OF MILLENNIALS PREFER MIXED
HOUSING OPTIONS IN PROXIMITY TO PUBLIC
TRANSPORT, SHOPPING AND WORKPLACES



AROUND HALF OF NEW BUILD RESIDENTS IN LONDON
AND THE SOUTH EAST ARE UNHAPPY WITH THE
AMOUNT OF SPACE THEY HAVE

THERE ARE MORE LIVING IN
PRIVATE RENTALS THAN IN
SOCIAL HOUSING



FOR THE FIRST
TIME IN
RECENT HISTORY



82% OF PEOPLE
IN ENGLAND LIVE
IN URBAN AREAS



...what this means to us

Our customers: Millennials are far more likely to live in cities and flats, and far less likely to own and travel by car - our developments are focussed on mixed-use masterplans in proximity to workplaces, public transport, shopping and leisure facilities.

Overall, 68% of people renting rate their life satisfaction as medium to high, compared to 81% of home-owners. We conduct annual tenant satisfaction surveys to find out how we can improve our tenants' renting experience, and are researching what prospective renters desire from their future homes.

Our employees: Millennials have high job expectations and demand flexible working environments that enable productive working from numerous locations. For our millennial colleagues, we are investing in learning and development opportunities, new technologies that enable our employees to work more flexibly and we have brought together our London teams into a central location with excellent public transport links and collaborative workspaces.

Our properties: Living space is shrinking and homes are becoming places of work and leisure. We want to provide pleasant spaces where our residents enjoy spending time so we are upgrading communal facilities in our buildings. We are using the Lifetime Homes standard to build homes that are accessible and adaptable and are also implementing new technologies to make our tenants' lives easier.

Our communities: Our research found that only 63% of people feel a sense of connection to their neighbourhood, yet people will spend more time where they live. This leads to a need for differentiated local services and new attitudes to placemaking. Our developments aim to increase interaction between residents and keep our tenants informed about what is happening in their local area. We engage with local residents throughout the design and construction of our developments to identify and meet the needs of communities in and around our homes.

Our future – Build to Rent:

There is a need for a further 3 million homes in the UK and Grainger will be part of the solution through our new purpose-built rental properties. Our Executive Director of Property, Nick Jopling, chaired the Urban Land Institute's UK Residential Product Council and the development of its best practice guide into Build to Rent. The guide found that high-quality, sustainable, purpose built rental stock can enhance tenants' health and wellbeing, and better meet their rental expectations.

To enhance the lifestyles of our tenants and improve their renting experience, we are developing specially designed residential blocks for rent, which we will own and manage for the long-term.

We have recently partnered with Sigma Capital to identify sites for build-to-rent developments in major regional cities. We were also recently selected by the

Greater London Authority as part of a consortium to develop 211 build-to-rent units in a scheme in East London, and our first completed Build to Rent development at London Road, Barking will launch in 2015. We are committed to continuing to pursue opportunities to develop tomorrow's homes.

The "[Tomorrow's Home](#)" report was researched and written by Lily Bernheimer of Space Works Consulting



