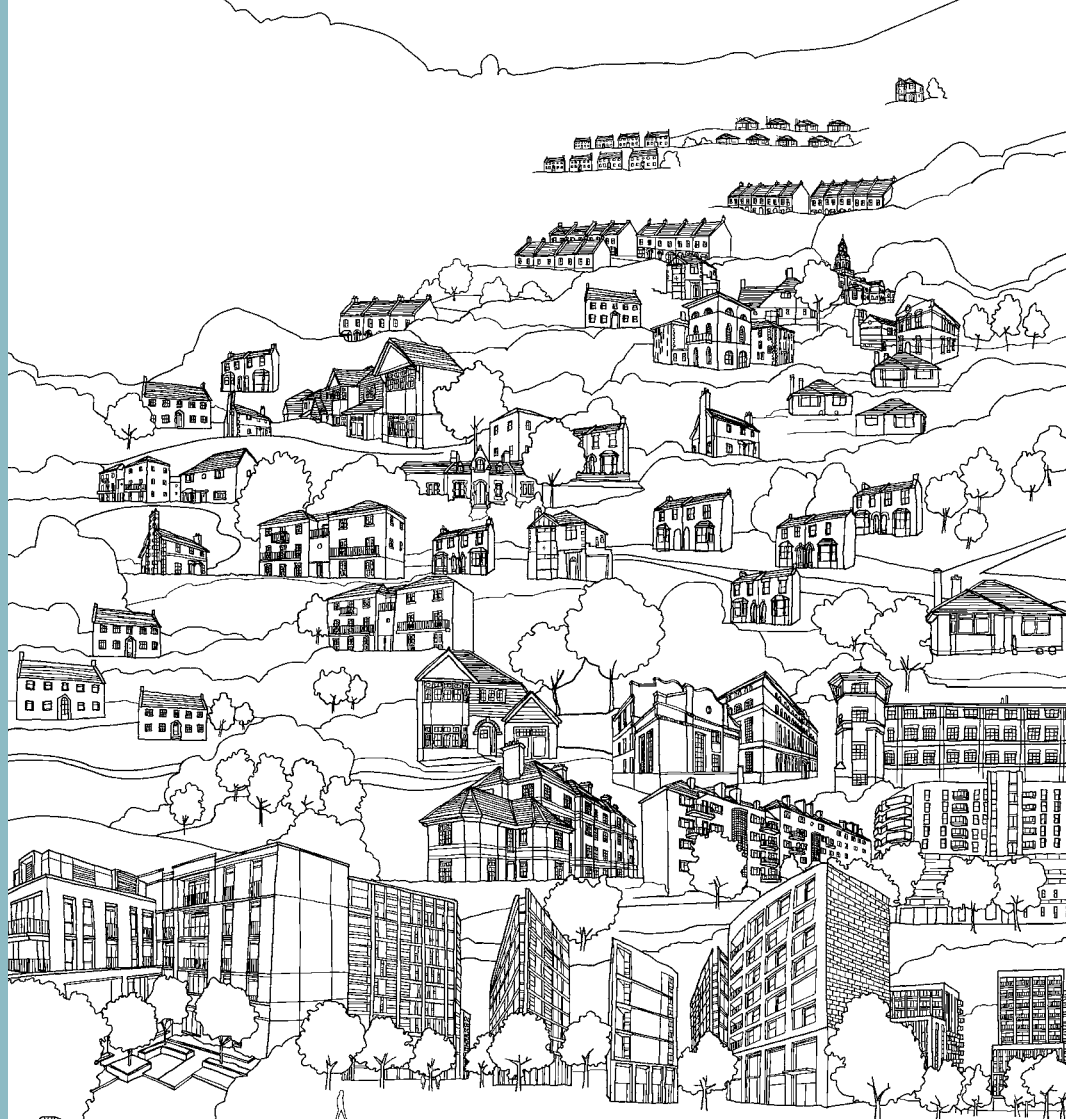


# Building Tomorrow's Homes

Sustainability Summary Report 2015



## Foreword from our CEO



Helen Gordon, CEO

“ As the UK's largest listed residential landlord, I think it is absolutely essential that we are a leader in sustainability. It is absolutely part of our DNA. ”

### Building on our heritage

Grainger is over one hundred years old and our ethos is about being a long-term investor. This long-term approach differentiates us from other organisations in our sector, and governs everything that we do.

We are now developing properties that we will still be managing in another hundred years, and we hope the children of our current residents will aspire to live in them when they grow old. Part of our long-term approach is about ensuring our tenants can continue to rent with Grainger as their lifestyles change, and we aim to keep our residents in their communities over their lifetime.

### Simplifying and focusing our business

Our new focus on the PRS market is about holding onto our properties, and making a long-term commitment to ownership. This influences everything we do in terms of building properties and relationships, from how we design our properties to our relationships with our customers and their community.

Although we are looking at a new PRS model through build to rent developments like Abbeville, across our estate there are great examples where we have been doing this for the last hundred years. For example at our Moor Pool Estate in Harborne, there are great amenities in place for residents and our staff are heavily involved in the community. It's about focusing on our core expertise of being a caring and responsible landlord.

“ Diversity is also a part of sustainability at Grainger. 61% of our staff and 50% of our board is female and this differentiates us from our peers. Balanced teams foster innovation and ingenuity. ”

### Growing rents

We see ourselves as a leader in PRS, and you can't be a leader in PRS without being a leader in sustainability. From our point of view, sustainability has to be built into the design of our properties from day one, and failing to invest at this stage will only mean higher costs further down the line.

Our PRS customers now expect sustainability to be integrated into our properties as standard and like them, we don't see sustainability as an add-on. Ensuring that the environments in which people live are sustainable means more than just building energy efficient properties, it is about making an investment in that community, and altogether this is a platform for customer retention.

In an increasingly competitive environment, where we must concentrate on meeting the needs of a broad range of stakeholders, Grainger's success will depend on sustainability being high on our agenda.

## Our business

We aim to deliver exceptional places where people want to live.

We have listened to our customers. Due to changing lifestyles and economic drivers, they want high quality rental homes that are well managed, which have lower running costs and better services.

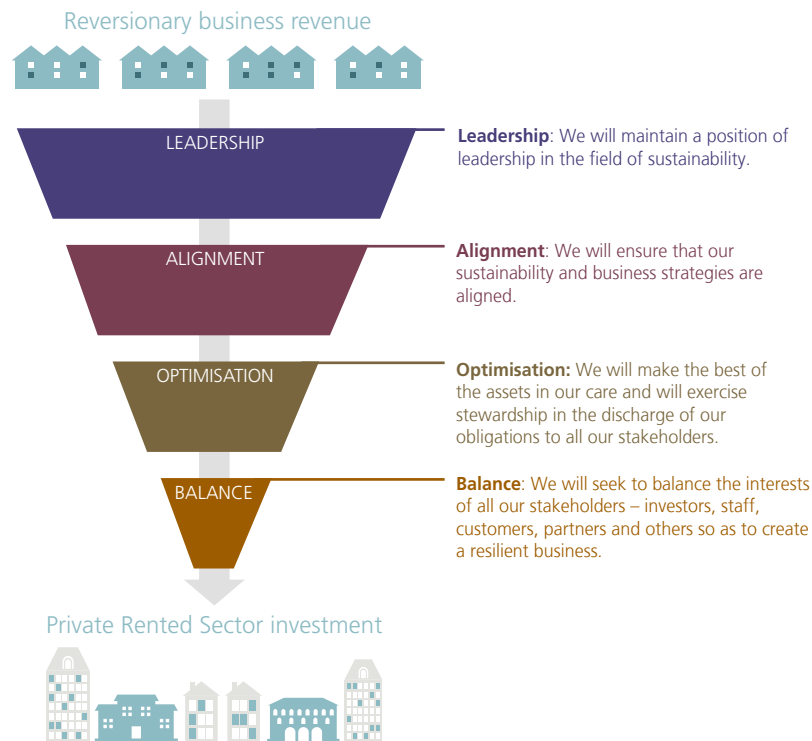
We have reviewed our business strategy by engaging with all our employees in every division, listening to our customers through focus groups, and re-evaluating our leadership priorities. We also appraised all our major assets, assessed our key sites, and explored all the growth avenues available to us. The private rented sector (PRS) offers substantial market opportunity for growth and our strategy is focused on three themes:

- 1) Building on our heritage
- 2) Simplifying and focusing the business, and
- 3) Growing our rental business.

Because the PRS sector offers us a greater range of influence – from the design phase to managing the long-term operations – we believe more than ever that sustainability is an essential component in building a substantial market-leading PRS business. Because we take a long-term approach to our properties, we will be able to design features that will enhance health and wellbeing for our customers, retrofit existing properties to suit tomorrow's renters and respond easily to investor, customer and regulatory demands.

In 2016, we will undertake a sustainability PRS leadership benchmark to help us identify further opportunities to demonstrate leadership in this sector. Shifting our business structure and addressing our new sustainability opportunities will be challenging, but our unparalleled residential experience and committed employees make us ready for this change. As always, the heart of our strategy is optimising our business activities and our assets to ensure that Grainger's customers are well served in safe, secure and high quality homes.

### OUR SUSTAINABILITY STRATEGY



## Our achievements & challenges

 Achievements  Challenges



TENANT  
SATISFACTION

Customer satisfaction ratings on our G:Invest portfolio improved by 18% between 2014 and 2015



LEADERSHIP

Grainger's Director of Fund Management for GRIP joined the BPF Sustainability Committee



BUILDING  
CERTIFICATIONS

We encountered challenges in evaluating best practice building ratings due to a lack of suitable ratings that are used consistently in the residential sector, and we will continue engaging with the industry on potential ratings.



RENEWABLE  
ENERGY

Installed six renewable central heating systems on properties in Bedale, Yorkshire



INDUSTRY  
COLLABORATION

Launched the Better Renting for Britain campaign



SUSTAINABLE  
PROCUREMENT

Our target to create a sustainable procurement policy was placed on hold because we identified a need to review our broader procurement processes, which we are undertaking in 2016.



EMPLOYEE  
ENGAGEMENT

Delivered sustainability training and awareness raising to an additional 12% of Grainger employees



EMISSIONS  
REDUCTION

Reduced GHG emissions by 35% per £100,000 revenue from our repairs and maintenance services



PROPERTY  
ASSESSMENTS

Although we continue to undertake energy efficiency upgrades to our properties, we have faced difficulties in incorporating sustainability into our standard property management and maintenance procedures, and will look to implement this more successfully in 2016.



SUSTAINABLE  
REFURBISHMENT

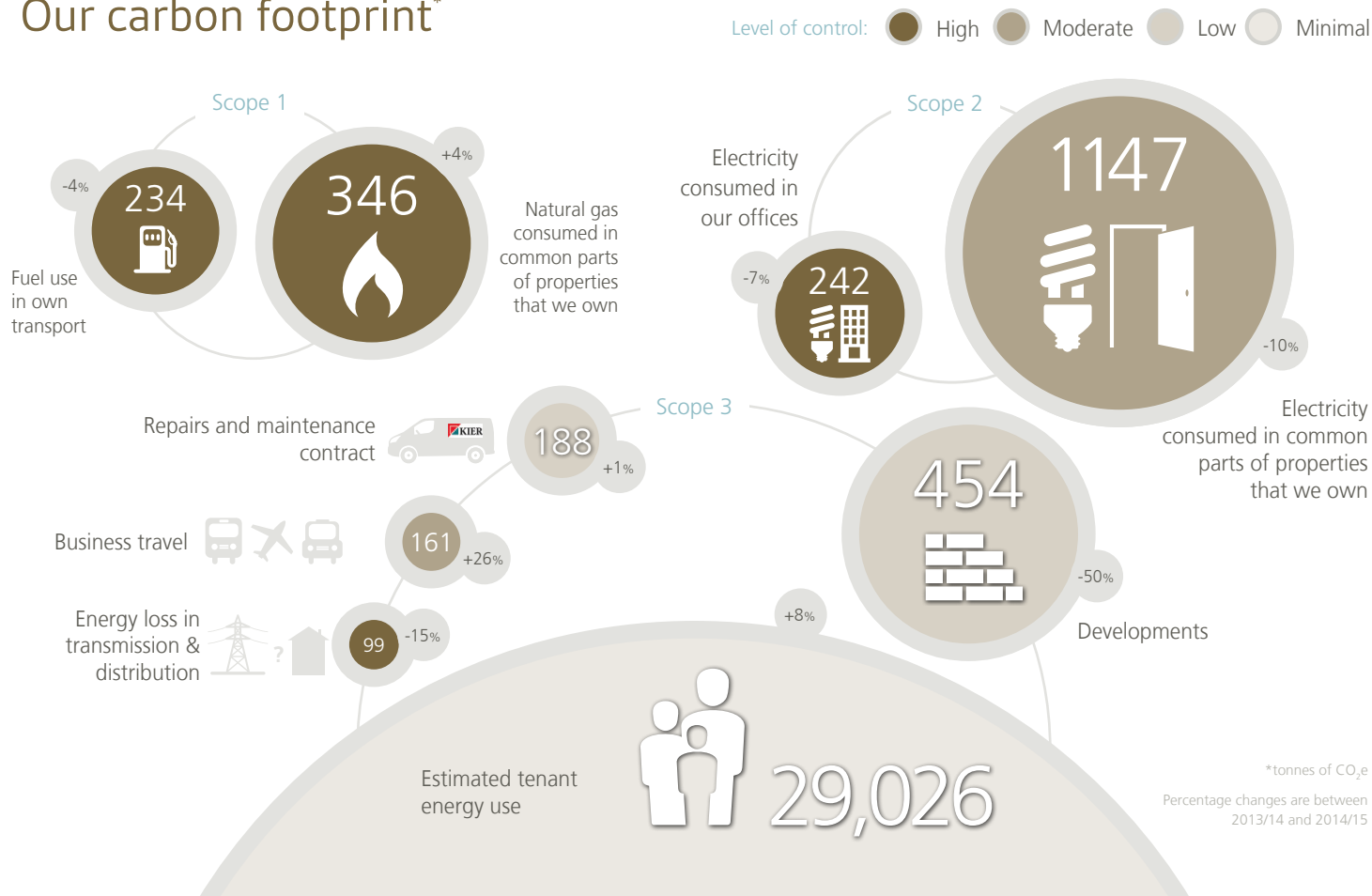
Introduced updated sustainability requirements into the refurbishment specification for our GRIP fund



PROPERTY  
MAINTENANCE

Agreed a joint strategy with Kier to implement mutual sustainability priorities

# Our carbon footprint\*



# Bringing it home

In addition to pursuing specific sustainability objectives, we ensure sustainable development through our core business values, including our long-term approach. The next section includes some examples of this in action.

Delivering [high quality homes](#) with a management service that exceeds our customers' expectations is at the heart of our strategy.

We continue to play a leadership role in our sector, [collaborating with others](#) to address crucial issues.

[Improving our existing properties](#) minimises our environmental impacts and delivers comfortable homes for our tenants.

On our strategic developments, such as Wellesley in Hampshire, we invest in the [communities we are creating](#).

## Developing homes for the future

We are building a modern PRS business focused on providing quality homes, excellent customer service and efficient management. Abbeville Apartments is our first, and the UK's first development built specifically to rent. To deliver first class customer service, we have a dedicated property management team based on-site, and an online tenant portal where occupants can communicate directly with their building manager.

Sustainability was a key consideration in the design and construction of Abbeville. A sedum green roof over the retail unit will enhance biodiversity through providing a habitat for insects and foraging birds. The heating and hot water supply is provided by a combined heat and power unit, complemented by photovoltaic panels on the roof, and we have installed smart meters into every apartment to encourage greater awareness of energy consumption.

The design also promotes healthy lifestyles, with a conveniently located bike storage area and a 24-hour fitness studio. Amenities such as parks, shops and restaurants are within easy walking distance and Grainger has taken care to provide residents with space to interact right on their doorstep, through a landscaped private courtyard and a communal residents lounge.

We also considered sustainability throughout the development of Abbeville; the use of local businesses

and labour was prioritised, with 26% of materials locally sourced, and the site was awarded a Gold Award at the Considerate Constructors Scheme National Site Awards 2014.

Once residents had moved in, we held a family day event for residents to get to know each other and to meet members of their local community. Attended by dozens of residents, it was a resounding success. Residents have since established their own community, for example, hosting an after-school homework club in the foyer of the building.

We are taking our experience and learnings from Abbeville and incorporating them into a standard specification for the development of future Grainger PRS homes.



### SUSTAINABILITY FEATURES



PHOTOVOLTAIC  
PANELS



SEDUM GREEN  
ROOF



SMART  
METERS



COMBINED HEAT  
& POWER UNIT

This year we became one of the first corporate landlords to be accredited through the London Rental Standard, providing greater reassurance to our tenants.

**LONDON  
RENTAL  
STANDARD**

SUPPORTED BY  
**MAYOR OF LONDON**



## Better Renting for Britain



We played a pivotal role in launching a campaign for a rental revolution in the UK. In collaboration with other developers, pension funds and housing associations, we outlined our plans for the delivery of housing for long-term rent, offering a potential...

£30bn

OF FINANCE FOR NEW HOMES.

In an open letter to the Government, supported by the British Property Federation, the Better Renting for Britain campaign highlights the crucial role Build to Rent can play in solving the housing crisis, improving the quality of housing and financing more development through additional, institutional capital.

“ We intend that this substantial new investment will drive up **QUALITY** across the entire market. We want individuals and families to be able to choose to rent for **YEARS**, not months. ”

“ The creation of somewhere to call **HOME** and not just somewhere to live is central to our philosophy. ”

“ Whatever the reason, consumers deserve a better deal and wider choice. We want to provide not just better quality housing with a higher level of **SERVICE**, but better value in a transparent marketplace. ”

“ The emergence of a professionally managed rental product has legitimised renting as a lifestyle choice for some while for others it is a welcome **SOLUTION** to a lack of affordability. ”

This year we participated in the Global Real Estate Sustainability Benchmark (GRESB) industry working groups, to help the residential sector to better measure and communicate sustainability performance.

Both Grainger plc and our GRIP fund were awarded Green Star status in the GRESB 2015 benchmark.



G R E S B  
Green Star 2015



## Efficient and comfortable homes

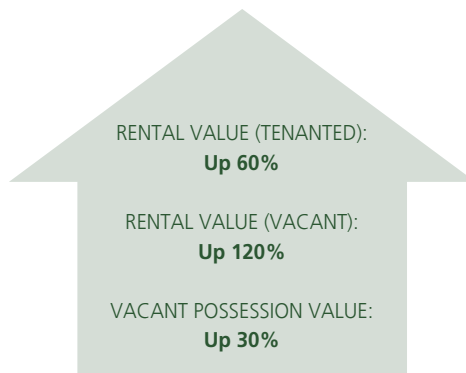
In Bedale, Yorkshire, we are piloting renewable technology to deliver energy efficient properties that maximise returns for our business and are better value for our tenants. This year, we faced a constantly-changing landscape for energy efficiency finance, but secured a variety of funding sources to transform six terraced properties in our reversionary portfolio.

Capital works included installing Air Source Heat Pumps, loft insulation, external wall insulation, and new windows. These measures were made possible through various third party funding schemes and future incentive payments, including the Green Deal, the Energy Company Obligation (ECO) and the Renewable Heat Incentive (RHI).

This year we received confirmation that Minimum Energy Efficiency Standards will come into force in 2018, preventing properties with low Energy Performance Certificate (EPC) ratings from being let. We are assessing our portfolios to identify properties that do not meet these standards, and will undertake improvement works to comply with these regulations. Through these capital works, we improved the EPC ratings of all six terraced houses (one G and five F rated before the works) to a D rating.

Using external funding to undertake upgrades ensures the payback periods are viable. For example, through external funding measures, we secured full

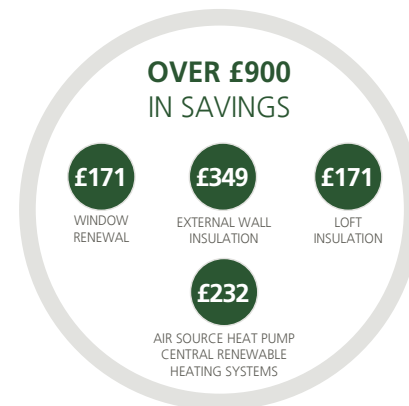
### DRIVING ASSET PERFORMANCE AND DELIVERING SAVINGS FOR OUR CUSTOMERS



funding for loft insulation and 50% of external wall insulation costs. Through our participation in industry bodies, we continue to discuss our aspirations for consistent funding availability with the Government.

For Grainger, improving the energy efficiency of our properties is about more than meeting standards; it is about providing comfortable homes for our tenants that are efficient to run. We retained all existing tenants throughout the works and the combined upgrades will save our tenants on average over £900 each per annum in reduced energy bills.

### AVERAGE ANNUAL TENANT SAVINGS



In addition to improving the energy efficiency of our properties, we are committed to publically reporting their environmental

performance. This year, we retained our Gold award for sustainability reporting in the 2015 EPRA Sustainability Awards.



# Making Wellesley a place people are proud to call home

Realising this ambition is reliant on successfully integrating the existing community of Aldershot into our emerging Wellesley community. The Wellesley Woodlands were launched in November 2015 with a family festival attended by over 120 residents. The Woodlands offer the community, both new and old, the chance to enjoy a special haven of green space. The footpaths and woodland trails form part of our vision to build a neighbourhood where you can walk from one side to the other without crossing any busy roads.

In addition to the new homes and amenities we are providing, we are actively supporting community projects and providing facilities for existing community organisations. For example, we provide rent-free space to The Source's Bike Start initiative and have created over 50 jobs as well as incubator space for 26 new businesses.

We are focused on creating a strong, active and inclusive community at Wellesley. We believe collaboration is key to meeting this ambition and have created a stakeholder group with local organisations such as Rushmoor Borough

Council, the Ministry of Defence, The Land Trust and Rushmoor Voluntary Services to discuss joint opportunities to support our shared community. Grainger recently set up a community grant pot to engage and support local people.

Wellesley will be crafted by its residents to reflect the requirements of the community over time.

We have launched an online platform for residents to review and feedback on the latest development proposals and recently held our second exhibition for local residents to explore our plans for the redesign of historical buildings on the site.

As Wellesley's residents move in, we have big plans to support them in building this new community. We are already planning a variety of initiatives for 2016 and beyond. For example, we will create a temporary community hub and provide opportunities for residents to share in the military history of the area through a series of events. This flexible approach to place creation will allow Wellesley to become an aspirational place for families to live, work and play, where people can feel at home.



Our **MISSION**  
is to create a new  
neighbourhood  
people are proud to  
call home

Grainger is committed to communicating our sustainability performance transparently to all our stakeholders.



FTSE4Good

We have been listed  
on the FTSE4Good Index since 2010.

## Balancing the needs of our stakeholders



### Wellesley Woodlands handover

At Wellesley, we handed over 270 acres of restored woodland to The Land Trust for management in collaboration with the Blackwater Valley Countryside Partnership, providing an outdoor space for communities to enjoy.



### Abbeville residents' family day

We hosted a family day for residents of our build to rent apartments at Abbeville, enabling residents and their families to meet each other and members of their local community.



### Delivering community infrastructure

Our development at Berewood contains community focused facilities such as a new primary school. A community building will be constructed, designed specifically for flexible use by those living nearby. The proposed Town Park will contain play, sporting and youth facilities to support the health and wellbeing of our residents.



### Community investment

This year we invested over £70,000 in cash and employee time to a range of charities and community groups. Examples include an office monopoly tournament and curry night to raise money for LandAid.



### Wellesley Woodlands festival

Over 120 members of the local community united for an afternoon of arts and crafts, educational workshops and woodland themed stories to celebrate the official opening of the Wellesley Woodlands.



### Nick Bailey, LandAid Outstanding Ambassador

Our colleague, Nick Bailey, was awarded Most Outstanding Ambassador at the LandAid Ambassador Awards following a year of incredible fundraising efforts.



 Investing in homes since 1912  
**grainger plc**

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