

grainger plc

Corporate responsibility report 2010
www.graingercr.com

Performance highlights

FTSE4Good listing

75.5 days volunteered – equivalent to **30%** of staff volunteering one day

£1,036 training spend per employee

1,467 properties surveyed by Warm Front for insulation and heating improvements

Health and safety and environmental management systems adopted

Scored **70** in 2010 Carbon Disclosure Project, with the top tier of UK real estate companies, at the top of Band B 'Fast Following'

26% reduction in CO₂ from air travel from 2008/09 level

Chief executive's statement



"Our 2010 sustainability achievements reflect an integration of overall business and sustainability strategy."

Grainger's executive team and I are very proud of our company's continually evolving and strengthening approach to sustainability. We are particularly pleased to be listed in the FTSE4Good index for the first time this year. We hope that this external recognition of our sustainability programme will give investors even greater confidence; attracting and facilitating further investment in our company in the future.

In 2009, we developed 'ETHOS', a sustainability strategy closely aligned with our business priorities. The purpose of ETHOS is to ensure business resilience – managing risk, maintaining income streams and protecting value in a low-growth, low-carbon environment. Using ETHOS to guide us, we completed 70% of the applicable sustainability targets that we committed to meeting by 30 September 2010.

We recognise that issues such as climate change continue to be important to you, our stakeholders. For these reasons I invite you to explore this document for highlights of our 2009/10 sustainability performance and the demanding targets Grainger will pursue over 2010/11.

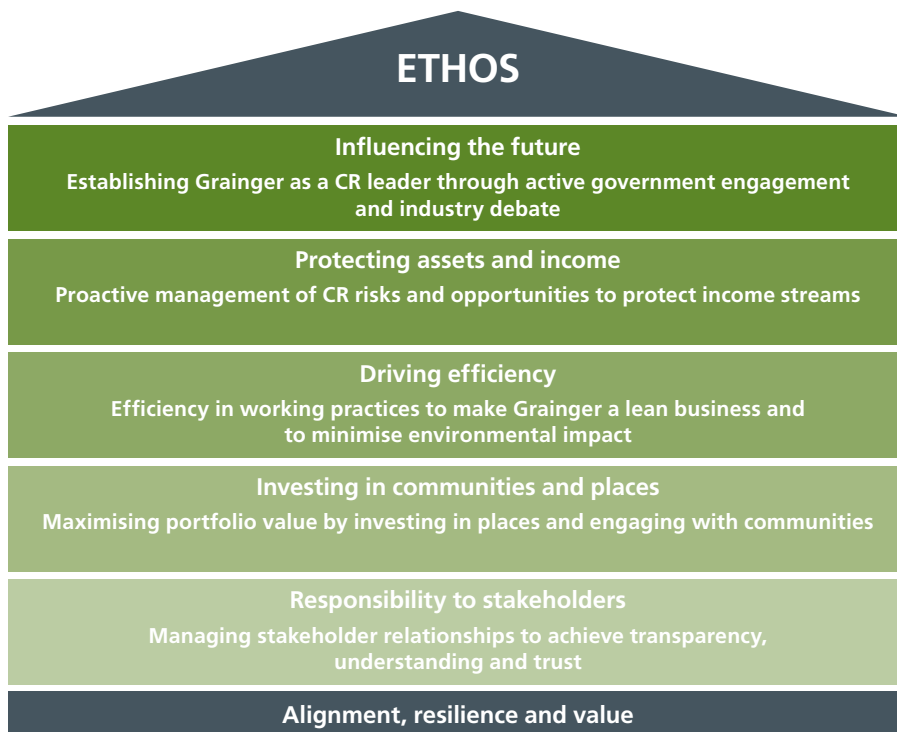
I also hope you take the opportunity to learn more about our sustainability performance through our Annual Report and on our website www.graingercr.com. As always, I welcome your comments and feedback.

Andrew Cunningham
Chief executive, Grainger plc

ETHOS sustainability strategy

Our five focus areas

Our sustainability strategy, 'ETHOS', aligns our sustainability approach to Grainger's business priorities. The purpose of ETHOS is to ensure business resilience, which we define as our ability to manage risk, to maintain income streams and to protect value in a low-growth, low-carbon environment.



Reporting approach

We see sustainability as integral to how we operate. This document summarises key data on Grainger's impacts and activities over the last year. For the third year, we are also producing a more detailed, online report at www.graingercr.com

Our 2009/10 online sustainability report enables different stakeholders to easily access relevant information and drill down from high-level strategy to detailed performance statistics. In addition, we provide a summary of our sustainability performance in Grainger's annual report – downloadable from www.graingerplc.co.uk

Targets to drive Grainger's influence on the future of sustainability in the built environment

2009/10 target

Produce a thought piece on reducing carbon in existing homes, including a road map for the practical achievement of the government's targets.

Achievement	N/A
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Target deemed not applicable due to change in government and no clear agenda on the strategy for greening existing homes in this reporting period.

2010/11 target

to be completed by 30 September 2011

- * Identify the key sustainability policy issues presenting risks and opportunities for Grainger and develop Grainger's policy positions;
- * Engage with government and other stakeholders on key sustainability policy issues identified; and
- * Building on existing initiatives, produce a responsible procurement framework to cover property services, refurbishment and new development.

Influencing the future

"We aim to establish Grainger as a CR leader through active government engagement and industry debate."

We applaud the intentions of the UK government to encourage the shift to a sustainable property sector. Effective policies must be developed in partnership with industry, to ensure they are practical and will have the desired outcome. To this end, we engage with government and relevant industry bodies such as the CBI, British Property Federation, Home Builders Federation and Urban Land Institute, through, for example, responding to relevant government consultations and participating in issue-specific working groups.

In 2010, we responded to the HM Treasury consultation on Investment in the Private Rented Sector and met with Department of Energy and Climate Change officials on the carbon emissions reductions target ('CERT'), the Green Deal and other sustainability policies. In 2011, we will increase our impact by undertaking a strategic review of sustainability issues and developing key policy positions. We will also influence the property sector supply chain's sustainability by implementing a responsible procurement framework throughout our business.



Targets to protect Grainger’s assets and income from sustainability risks

2009/10 target

Select a minimum of three tenant satisfaction performance indicators and maintain or improve scores against each of these for the coming year.

Achievement	Partial
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2010/11 target to be completed by 30 September 2011

- * Carry out sustainability assessments of a sample of properties and use to model portfolio carbon footprint and sustainability risks.
- * Carry out an analysis of which properties could take advantage of feed-in tariffs (‘FITs’), and which technologies are most suitable. Consider a pilot scheme.
- * Establish a customer engagement programme by 2011 (focusing specifically on sharing environmental information and on community improvement initiatives).
- * Investigate tenure specific customer satisfaction indicators. Where appropriate indicators are identified, report on these at the end of the year.

Protecting assets and income

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

The introduction of new legislation is one of the largest sustainability risks facing Grainger. We will continue to be proactive in preparing for new legislation such as ‘zero carbon’ homes by 2016, by aiming, wherever practicable, to build homes to a standard one year in advance of building efficiency codes.

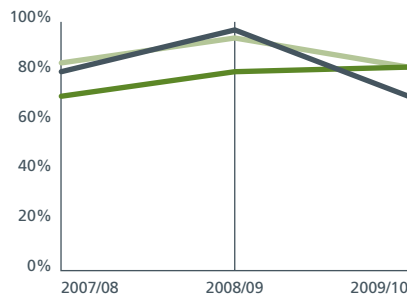
In 2010/11, we will undertake a programme of work to assess how our portfolio would be affected by a variety of sustainability risks including mandatory energy efficiency standards for private rented housing, changing flood patterns based on climate change modelling and economic deprivation trends. We intend to integrate the findings from this exercise into our long-term corporate risk management and sustainability strategy and use this experience to influence future government policy.

We will also evaluate how we can seize the range of opportunities presented by feed-in-tariffs for renewable energy generation.

Customers are at the heart of Grainger’s business; our success depends on their opinions and decisions. In this context, it is encouraging that we continue to achieve high levels of customer satisfaction. We will continue to monitor these trends closely in 2011 and improve customer engagement through a focus on the specific needs of customers in different tenures.



TENANT SATISFACTION TRENDS GRAINGER RESIDENTIAL MANAGEMENT LETS (GRML)



- Percentage of 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 contractors as excellent or very good



Targets to increase Grainger's environmental efficiency

2009/10 target

Reduce office electricity per person by 5%.

Achievement Not achieved

Develop and implement quality, health and safety and environmental management systems within Grainger. The QMS to be certificated to ISO 9000 by 2011.

Achievement Partial

Further the development of our carbon management strategy (2010 deadline for establishment) by expanding carbon reporting to cover common parts of our property portfolio and the monitoring of emissions from company cars.

Achievement Achieved

2010/11 target

to be completed by 30 September 2011

- * Update and further develop Grainger's eco-champions action plan based on two years of practical experience and best practice standards. Integrate the eco-champions KPIs tracked in previous years to establish an overall standard for each office to achieve or beat this year.
- * With a view to reducing carbon emissions by 5% from 2009/10 levels, undertake an internal awareness campaign to:
 - Promote the role of eco-champions;
 - Educate staff about Grainger's environmental sustainability policies such as the green travel policy and green office action plan;
 - Provide practical, constructive information about the positive effect employee actions can have on the environment and operating costs; and
 - Report to senior management and all staff each month on office electricity consumption trends.
- * Report carbon emissions from common area electricity usage in a sample of flat blocks based on quarterly meter readings.
- * Provide Property Services with an internal quality management system.¹

Driving efficiency

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

The UK property and construction sector has a substantial impact on the environment. Grainger must measure and disclose its environmental performance to become more environmentally efficient. Over the last three years we have sought to reduce environmental impact and business costs by expanding our carbon reporting. For example in 2009/10, we extended our reporting to include impacts from car travel and energy use in common areas and we will continue to refine these in 2011. Furthermore, next year we will estimate emissions from our residential portfolio, the largest portion of Grainger's carbon footprint. In 2009/10, despite our efforts to reduce consumption, our office electricity use increased. Next year we will undertake an internal awareness raising campaign that leverages:

- * Our eco-champions network;
- * Our lessons learned from consumption reduction initiatives in 2009/10;
- * Environmental management system; and
- * Monthly office electricity meter readings.

Performance highlights

Carbon emissions (thousand tonnes CO₂)

Source	2009/10	2008/09	2007/08
Office electricity consumption (small power) ²	463	401 ³	372
Energy use in common parts of residential portfolio	49 ⁴	N/A	N/A
Air travel	23	31	62
Rail travel	37	26	13
Car travel	228 ⁵	N/A	N/A
Energy use at development sites (electricity and diesel consumption) ⁶	0	3.5	346

1. Newly stated target – see website for further information.

2. All offices are multi-tenanted and relevant central plant data unavailable.

3. Restated – see website for further information.

4. Figure covers a sample of properties – see website for further information.

5. Includes all business related company car trips – see website for further information.

6. No developments this year.

Targets to increase Grainger's investment in communities and places

2009/10 target

Ensure that at least 30% of Grainger staff participate in volunteering activities, particularly focusing on communities in areas local to our own assets and using skills relevant to our sector.

Achievement Achieved

All major development sites to be registered with the Considerate Constructors Scheme, targeting a score of at least 32.

Achievement N/A*

Produce a case study based on Newlands Common illustrating the principles and lessons learned for best practice in community engagement.

Achievement Achieved

Develop a community investment tracking system to record all donations to charitable causes and other forms of community investment by the end of reporting year 2009/10.

Achievement Achieved

* No active development sites in 2009/10.

2010/11 target

to be completed by 30 September 2011

- * 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.
- * Identify which three to four benchmark KPIs are the most important to Grainger in driving its development sustainability. Identify the levels Grainger will aim to achieve and add those for end of year reporting.

Investing in communities and places

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

As a landlord and property developer we recognise our responsibility to local communities where we work. It has always been our approach to ensure we give something back to society and to listen to the opinions of those affected by our business.

This helps us to create valuable new communities and to maintain positive long-term relationships. Community investment takes many forms at Grainger, including staff volunteering, community engagement and charitable donations. This year we and our staff donated over £50,000 in money and time to charitable causes – our highest level in four years. The equivalent of 30% of Grainger staff participated in a day of community volunteering projects and we are enormously grateful to those who donated their time and skills. We will strive to achieve or beat this level of staff volunteering in 2010/11. Next year we will seek out the sustainability opportunities within our development programme with a focus on renewable energy and metrics.

Performance highlights

GRAINGER COMPANY AND STAFF DONATIONS TO CHARITABLE CAUSES

2009/10	£50,785
2008/09	£25,357
2007/08	£28,919
2006/07	£47,138

75.5 staff days volunteered for charities in 2009/10, equivalent of 30% staff donating one fully paid day



Targets to help grainger deliver on its responsibility to stakeholders

2009/10 target

The health and safety management of 85% of contractors operating on behalf of Grainger (excluding those undertaking projects under CDM regulations) will be assessed and will attain CHAS approval.

Achievement Achieved

Carry out a mapping exercise to review all of our key stakeholder relationships and set aims for each key stakeholder with whom we have valuable relationships.

Achievement Achieved

Ensure Grainger's inclusion in the FTSE4Good Index.



FTSE4Good

Achievement Achieved

2010/11 target: conduct health and safety audits for 100% of Grainger's managing agents.

Achievement Achieved Early

2010/11 target

to be completed by 30 September 2011

- * Conduct health and safety audits for 100% of Grainger's contractors undertaking projects under CDM regulations.
- * Conduct health and safety audits for 100% of Grainger's managing agents.
- * Implement a programme of activity to improve employee health and wellbeing in order to boost morale.
- * Produce Grainger's 2010/11 sustainability report to Global Reporting Initiative ('GRI') C standard self-certification.

Responsibility to stakeholders

"Managing stakeholder relationships to achieve transparency, understanding and trust."

We have a responsibility to act in the long-term interests of our stakeholders and doing so makes Grainger a more successful and respected business. We have a wide range of different stakeholders with whom we seek to maintain positive and mutually beneficial relationships.

We invested in our stakeholder relationships this year by undertaking an unprecedented level of employee training, achieving FTSE4Good listing for our investors and assessing our contractors' health and safety. We simplified tenant communication and specified suitable channels (e.g. letter, text, phone) for each tenant group. In 2010/11, we will continue to support the health and safety of our contractors and managing agents. Grainger is committed to being a healthy workplace and next year we will continue to implement a wellbeing programme for employees.

Performance highlights

INVESTMENT IN TRAINING PER EMPLOYEE

2009/10	£1,036
2008/09	£578
2007/08	£303
2006/07	£628

Easy to understand and appropriate channels for tenant communication

SMS

Letter

Web

Face to face

Phone

