

grainger plc



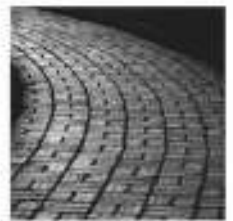
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strategies for sustainable futures

Grainger Plc



CR Target Review 2006-07

Report
January 2008



Upstream is a strategic sustainability consultancy and a business unit within Jones Lang LaSalle Limited. We help our clients to develop strategies for economic, environmental and social responsibility, and to integrate and align them with their business goals.

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
1 Introduction

This report outlines the findings of Grainger plc's 2006-07 Annual Corporate Responsibility target review. The information set out in this report provides further information to supplement the 2006-07 CR Report (CR section in the Annual Report and Accounts).

2 Methodology

The level of progress achieved against each of the targets has been established by scrutinising the documented evidence of achievement provided by each of the business functions.

Targets are awarded a percentage for completion in view of the evidence of achievement received by Upstream and with attention to the scope of the target. In cases where the management target involved some quantifiable measure (e.g. to provide 4 work placements to socially disadvantaged persons), the percentage completion is derived from the quantity actually achieved (i.e. number of work placements that took place) as a proportion of the quantity targeted. Management targets which are not quantifiable in any way (e.g. develop and implement an action plan to encourage employees to lead a healthy and sustainable lifestyle) are subject to a more qualitative assessment based on careful evaluation of the evidence received, and are awarded a percentage for completion in line with the assessment procedure described below:

	0%	No evidence of action, or failure to meet quantitative target.
	25%	Evidence that action has been initiated, but substantial progress has not been made.
	50%	Implementation of the target is half-complete. For quantitative performance targets where 100% achievement would have been achieved, but for unforeseen circumstances, this level will be awarded upon Upstream's discretion.
	75%	Majority of target's actions complete, though some remain outstanding.
	100%	Target fully achieved.
	N/A	Circumstances have meant the target is now not applicable.

3 Highlights and Recommendations

3.1 Highlights and successes

- **Overall performance:** Significant progress was made against at least some targets in all of the seven focus areas.
- **Employees:** Grainger has been particularly successful at developing its employee related CR strategy this year. Its two training related targets were 100% achieved and it has developed a draft action plan to encourage employees to lead a healthy and sustainable lifestyle. This will be implemented over the course of the next two years. Targets that were not achieved in this focus area are to be carried forward for completion in the next financial year and Grainger has set itself yet more challenging targets for the 2007-08 period.

- **Tenants and Customers:** It is encouraging to note that satisfaction amongst market let tenants rose to the target level this year. Grainger has also achieved its target to develop and issue a satisfaction questionnaire for regulated tenants, demonstrating its commitment to continual monitoring and improvement in customer service.
- **Environment:** Grainger was successful in monitoring waste production data at its development projects this year, meaning that it was able to report on environmental key performance indicators for the first time.
- **Community:** Grainger has provided three work placements to socially disadvantaged persons as part of Business in the Community's 'Business Action on Homelessness Programme', benefiting not only those individuals but also the Grainger employs who were involved in the scheme. Grainger continues to work closely with Business in the Community.

3.2 Areas for improvement and recommendations

- **Overall performance:** Although Grainger did make significant progress against the majority of its targets, its performance was not as strong as in previous years. Last year Grainger fully achieved 71% of its targets, compared with 36% this year. Upstream recognises that this is largely due to a shift in responsibility for some target areas and that the majority of targets will be carried forward for completion this year.
- **Tenants and Customers:** Progress in the development of a web area for tenants fell short of the target. Grainger has a great opportunity to communicate with tenants not only in order to improve customer service but also to spread awareness of environmental and social issues. This should continue to be a focus in the coming year. Given that Grainger failed to monitor its performance against the % of emergency repairs conducted in 48 hours, it is encouraging to note that it is setting targets to monitor the standard of repairs via a different method.
- **Health and Safety:** Grainger should ensure that the procedures for the collection of health and safety data are followed on development projects in 2007-08 in order that this information can be analysed in order to identify trends.
- **Target wording:** Grainger takes a very proactive approach to target setting, involving relevant staff across the business. Upstream welcomes this approach but amendments to target wording have sometimes meant that targets do not always follow SMART principles (Specific, Measurable, Achievable, Realistic, Time-bound) to the extent that they could. Grainger should ensure that in all future target setting exercises it keeps the SMART principles in mind. In working with Grainger to develop the 2007/08 targets, Upstream has noted that these have been developed to follow SMART principles to a greater degree.

4 Review of progress against CR targets in 2006-07

This section of the report is intended to provide Grainger with an independent and objective review of the Group's progress towards meeting its CR targets for 2006-07. It is divided into the following sub-sections:

- Summary of progress.
- Detailed review of progress against 2006-07 CR targets.

4.1 Summary of progress

Figure 1 Pie Chart showing the distribution of Grainger's target achievement for 2006/07

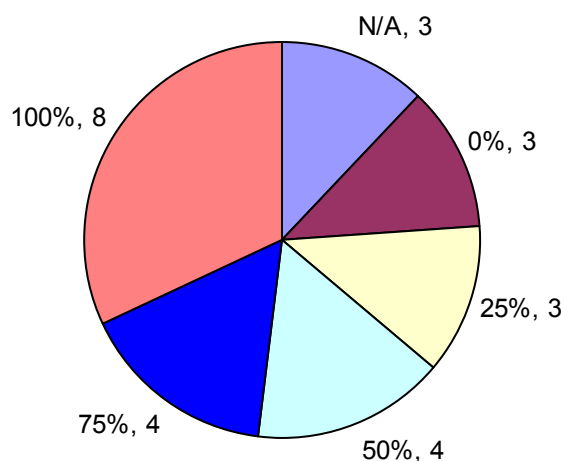








Table 1 below summarises progress against 2006-07 CR targets by Grainger. Details relating to progress against each individual target can be found in section 2.5.






Table 1 Summary of progress against 2006-07 CR targets




CR impact area	Number of targets						
		N/A	0%	25%	50%	75%	100%
Number of CR targets	25	3	3	3	4	4	8
Employees	6		2		1	1	2
Tenants & Customers	5	1	1	1			2
Environment	4	1			1		2
Communities	3			1		2	
Health & Safety	4			1	1	1	1
Suppliers	1		1		1	2	
Investors	2	1					1
% of total CR targets¹	100%	n/a	14%	14%	18%	18%	36%





4.2 Detailed review of progress against 2006-07 CR targets




The following table provides details of Upstream's independent review of Grainger's progress against 2006-07 CR targets. Upstream has undertaken this assessment on the basis of discussions between Upstream and key representatives of Grainger, as well as scrutinising the documented evidence of achievement provided by Grainger.




¹ These percentages are calculated as a proportion of the 22 targets that were deemed to be applicable. Details relating to those targets that were not applicable can be found in Section 2.4.






Target	% achieved	Comments	
Employees			
Develop and implement an action plan to encourage employees to lead a healthy and sustainable lifestyle		<p>Summary: A draft action plan has been developed and certain actions have been carried out this year. However, a structured timeframe for the implementation of the action plan was not developed and this target was therefore only 50% achieved.</p> <p>Detailed commentary: Those actions carried out this year include the implementation of a Cycle to Work programme, the introduction of fruit baskets at the Newcastle office and the introduction of personal recycling bins at the Knightsbridge office. Plans for next year include the introduction of a green travel policy and an environmental road show. The current intention is for the action plan to be implemented over the course of the next three years and to include an overhaul of all HR policies as well as to identify other potential actions that could lead to a gradual change in employee lifestyles</p> <p>Evidence received:</p> <ul style="list-style-type: none"> • Draft Action Plan, including a list of all initiatives that will be taken forward. There was a lack of comprehensive information and a structured timeframe to mark the scope of the plans. 	
Conduct a survey of all staff to canvas opinions on the quality and effectiveness of internal communications within Grainger		<p>Summary: A survey has been developed to canvas staff opinions on this issue. This target has been 75% achieved as the survey was put together and circulated but there was not sufficient time for all staff to respond before the reporting year end.</p> <p>Detailed commentary: The survey has been circulated to all staff via email and it was hoped that all responses would have been received by the end of October. The results were expected to have been analysed by the end of the year. It will be important for Grainger to develop an action plan to take forward any suggestions that arise from the staff survey. Additional work has also been done including the appointment of a PR company to work on internal and external communications.</p> <p>Evidence received:</p> <ul style="list-style-type: none"> • Upstream has viewed a copy of the survey that was circulated to staff 	
Review and evaluate the effectiveness of current methods and opportunities for employee involvement		<p>No work has been done to progress this target and it will be carried over to next year.</p>	
Develop our employee benefits package to offer greater flexibility, thereby enabling employees to better reflect their individual needs		<p>No work has been done to progress this target and it will be carried over to next year.</p>	
Develop and launch a new Training & Development site on SOURCE providing employees with easier access to training and personal development information and activities		<p>Summary: This target has been fully achieved.</p> <p>Detailed commentary: The training and development site was developed early in the reporting year and is already being used extensively within the organisation.</p> <p>Evidence received:</p> <ul style="list-style-type: none"> • Upstream has viewed a screenshot of the training and development site 	



Target	% achieved	Comments	
<p>For all our Property Managers, and 50% of Property Management Assistants, to become ARLA qualified</p>		<p>Summary: Grainger have made impressive progress in this area. Due to understandable circumstances, not all of the relevant staff were awarded the qualification. 100% achievement has been awarded because Grainger were able to adequately explain the reasons for this.</p>	
		<p>Detailed commentary: Of 26 property managers, 22 have achieved the qualification. Of the four who are not yet qualified, two are new to the role and will take the examination at a later date. It was deemed inappropriate to the role of one Property Manager and it was not possible for the final Property Manager to sit the qualification within the target period. There are twenty Property Manager Assistants; four are new to the role. Of the 16 remaining, seven are now qualified, another seven will be taking the examination in due course and it was deemed inappropriate for two.</p> <p>Grainger have made impressive progress in this area and it is testament to their desire to invest in and train staff. Due to understandable circumstances, it was not possible for all relevant staff to be awarded the qualification. Upstream understands that those relevant staff who are not yet qualified but will sit the examination in the coming year.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> List of all managers and assistants, with confirmation of who has obtained the qualification and reasons why others have not been awarded the qualification. Selection of certificate copies.
Tenants and Customers			
<p>Become accredited under the local authority initiative 'Landlords Accreditation Scheme' where this is implemented in areas in which we manage housing</p>		<p>Summary: This target was deemed not applicable, as it became apparent that this accreditation scheme was not relevant to Grainger.</p>	
		<p>Detailed commentary: Upon further investigation, it became apparent that this accreditation scheme was not relevant to Grainger. It was felt that the benefits to staff were minimal and that it would be an inappropriate use of company funds and also an unnecessary use of staff time.</p>	<p>No evidence received.</p>
<p>Develop and issue a Tenant Satisfaction Questionnaire for regulated tenants</p>		<p>Summary: A questionnaire was developed and issued to a sample of regulated tenants in the North and South regions.</p>	
		<p>Detailed commentary: Following extensive research and consultation with specialist organisations, a questionnaire was developed and issued to a sample of tenants in the North and South regions. The questionnaire covered issues such as levels of satisfaction with customer service, the standard or general repairs, the ease of contacting relevant individuals within the property management team and concerns about crime or antisocial behaviour in the local area. Results had not been received by the end of the reporting year.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> A copy of the tenant questionnaire. Details of how this was distributed - with examples.

Target	% achieved	Comments	
Develop and launch a web area for tenants providing easy access to information relevant to their tenancy, as well as guidance on other topical issues, such as the environment		Summary: Initial work stalled when it became clear that a fundamental website overhaul was required. Environmental tips were produced but were not put on the website.	
		Detailed commentary: Initial work to look at redeveloping the website was performed internally; however, this was stalled when it became clear that a fundamental website overhaul was required. Environmental tips for tenants were produced although these have not been put on the website. The plan is to distribute them to tenants via other means, possibly as cards to be sent through the post. Given that work has been done to produce the guidance for tenants, this target is deemed to be 25% completed.	Evidence received: <ul style="list-style-type: none"> Upstream has viewed the tenant's tips that are due to be distributed.
Monitor our performance against the % of emergency repairs completed in 48 hours		This target has not been achieved. It has proved to be too difficult to monitor performance in this area as it is hard to define what constitutes an 'emergency repair'.	
Increase the proportion of our exiting market let tenants who rate our management service as either Very Good or Excellent to 65% (from 60%)		Summary: The results of the survey have revealed that 65% rate the Grainger performance as Very Good or Excellent.	
		Detailed commentary: The results of the survey focussed on exiting market let tenants have revealed that 65% do rate the Grainger performance as Very Good or Excellent. This is a very impressive increase in performance and Grainger will be focussing on maintaining this level of satisfaction in coming years.	Evidence received: <ul style="list-style-type: none"> Results of leaving tenants questionnaire.
Environment			
Undertake a baseline review of Grainger's environmental aspects and impacts with a view to formalising our management procedures around those that are most significant		Summary: A baseline review was conducted and Grainger has now started to develop the recommendations into an action plan	
		Detailed commentary: A baseline review was conducted over the summer and the results reported to the CR committee at the end of the reporting year. The review process involved interviews with key Grainger personnel and site visits. An impacts and aspect register was developed on the back of this research and a series of recommendations made as to how Grainger might reduce its environmental impact in the future. The key issues were found to be transport and energy use. Grainger has now started to develop the recommendations into an action plan, to be implemented over the course of the next two years.	Evidence received: <ul style="list-style-type: none"> Baseline review report, including detailed recommendations.

Target	% achieved	Comments	
All new Grainger developments to achieve a minimum EcoHomes rating of Very Good		<p>Summary: No developments have been completed this year so this target is considered to be not applicable.</p> <p>Detailed commentary: The development that is currently underway, Hornsey Road Baths, has been designed in accordance with EcoHomes Very Good standard. A revised assessment of the likely EcoHomes score for Hornsey Road Baths was prepared by registered EcoHomes assessors, PDM Consultants in July of this year. It was concluded that the development was on track to achieve a rating of Very Good.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> Provisional certification for Hornsey Road, prepared by PDM consulting. Full report on the likely EcoHomes rating for Hornsey Road, prepared by PDM consulting.
Monitor the performance of all our development projects in relation to both waste management during construction and cost in use following completion		<p>Summary: Waste data has been received from the only development that is currently active: Hornsey Road.</p> <p>Detailed commentary: The waste data that has been received from the Hornsey Road development indicates that since the development work began on June 8th 2007, 3% of waste has been recycled, 37% was sent to a Materials Recovery Facility and 60% was sent to landfill. This is the only project that has been under development this year. As it has not been completed, it has not been possible to monitor cost in use.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> Data indicating the waste that left the site between June and October 2007 and specifying the destination of the waste (i.e. landfill, recycled or MRF).
Carry out research to identify environmentally friendly materials/products with a view to listing these on our refurbishment site 'Property Design Solutions' and actively encourage our contractors to use them		<p>Summary: Research was carried out to identify environmentally friendly products and materials but specifications have not yet been listed on the Property Design Solution site</p> <p>Detailed commentary: As a result of this research a series of recommendations for baseline environmental specifications was developed. These specifications have not yet been listed on the Property Design Solution site, but this planned to take place early in the new year.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> Final outcomes of the research including a list of suggested specifications.

Target	% achieved	Comments	
Communities			
To provide 4 work placements to socially disadvantaged persons under Business in the Community's 'Business Action on Homelessness Programme'		<p>Summary: Grainger provided work placements for three individuals.</p> <p>Detailed commentary: Over the course of the year, Grainger provided work placements for three individuals. These were all very successful and proved to enriching experiences, for the individuals themselves and for the staff at Grainger who were involved. Grainger also took part in a range of other activities through Business In The Community. These included: hosting Ready to Go Training & Action Day for eight homeless people to help with interview practice and CV advice, hosting a CV workshop and inviting applicants from Ready for Work to apply for a vacancy on reception. A member of staff has also acted as a Job Coach.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> Document produced by BiTC setting out the work that Grainger plc has done with them over the year.
Review and redevelop a corporate-wide charity strategy which seeks to encourage staff participation in identifying local charities for support		<p>Summary: A charity strategy has not been developed but the charity committee takes on the role of encouraging staff participation in identifying local charities to support.</p> <p>Detailed commentary: The charity committee does meet on a regular basis and takes on the role of encouraging staff participation in identifying local charities to support. It has been decided that Grainger will support all staff who compete in events for charity with a graded donation depending on the event. This target will be carried over to next year for completion.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> Minutes of charity strategy meeting.
Develop a community consultation procedure to include minimum standards to be implemented on all development projects, and guidance on the use of best practice techniques for appropriate projects		<p>Summary: A guidance note was circulated to relevant staff pointing them towards sources of information on best practice. Examples of best practice were also provided. Significant progress was made against this target and specialist organisations were used to advise on the consultation procedure for each development project</p> <p>Detailed commentary: A guidance note was circulated in November stating that Grainger is involved in building new communities and therefore must learn from local dynamics to ensure that regeneration objectives are delivered. The note points staff towards sources of information on best practice and specifies that all major projects should employ a specialist consultant who has knowledge of the area in the development is taking place and is capable of setting and managing out a logical and coherent plan from inception to completion. Specific examples of best practice at Wards Corner development were also provided. Given this extensive programme of work, it is deemed that the target has been 75% achieved.</p>	<p>Evidence received:</p> <ul style="list-style-type: none"> Consultation strategy document for Wards Corner development. Briefing note that was circulated to all relevant staff.

Target	% achieved	Comments	
Health and Safety			
Gather and present H&S data for major development projects to track H&S performance and identify any trends		Summary: Information on RIDDOR reportable incidents has been gathered and reported. Grainger identified a set of KPIs but gathered information only against some of these. It was not felt that trends were adequately identified and therefore only 25% was achieved.	
		Detailed commentary: KPIs have been identified and data will be collected for these during the year ahead. Given that some data has been collected and that a process has been put in place for the collection of data in the future, it is deemed that this target is 25% achieved.	Evidence received: <ul style="list-style-type: none"> RIDDOR Reportable incident rates from developments.
Embed Grainger's Construction, Design and Management policy into the organisation and monitor KPIs		Summary: The CDM policy has been embedded into the organisation through a training programme.	
		Detailed commentary: So far, 25 members of staff have received CDM training. The KPIs have not started to be monitored yet but this will take place over the course of next year.	Evidence received: <ul style="list-style-type: none"> Training matrix indicating that 25 staff members have had training.
Undertake Health & Safety audits of a sample of Managing Agents, in order that their H&S performance can be assessed		Summary: Three Managing Agents have been audited: Nicholas Richardson on 13/8/07, Willmotts on 29/03/07, Douglas and Gordon 12/6/07.	
		Detailed commentary: Two agents received excellent scores of 98% and 96%. It is of concern, however, that one agent only received a score of 53% compliance and Grainger should ensure that this agent takes note of all recommended action resulting from the audits.	Evidence received: <ul style="list-style-type: none"> Copies of three audits.
All Property Maintenance Contractors to be issued, and confirm compliance, with Grainger's Health and Safety Handbook		Summary: 379 Property Maintenance Contractors have been issued with the Health & Safety Handbook and the return rate is 63%.	
		Detailed commentary: The majority of contractors used on a regular basis have responded and those remaining are now being chased for responses. It will be important in the future for Grainger to keep records of those contractors who have responded and to ensure that any alterations to the handbook are communicated to all contractors.	Evidence received: <ul style="list-style-type: none"> Copy of Health and Safety Handbook. Example letter that was sent out to contractors with the handbook. Email from head of Health and Safety at Grainger plc confirming a return rate of 63%.
Suppliers			
Develop relevant guidance for contractors on tenant care, considerate construction, and environmental good practice		Summary: Guidance has been developed but not yet circulated.	
		Detailed commentary: Relevant guidance has been developed and approved by senior Grainger staff. This guidance has not been circulated to contractors but it is planned that it will be incorporated into the reprint of the Health & Safety handbook and distributed next year.	Evidence received: <ul style="list-style-type: none"> Copy of guidance document.

Target	% achieved	Comments	
Investors			
Formally respond to requests for information sent by our major investors (owners of at least 3% shares) on CR		Summary: No requests for information have been received from investors owning 3% or more shares. This target is therefore deemed to be not applicable. The target will be carried forward to next year, with the threshold lowered to those with at least 2% shares.	
Proactively undertake research into the public CR commitments of our major stakeholders (including investors, peers, partners, and contractors) to shape our future strategy		Summary: Grainger commissioned a 'Corporate Benchmarking' report in order that public CR commitments of major stakeholders could be analysed. Detailed commentary: Ten organisations were selected from a pool of significant peers, partners, investors and contractors and Grainger's own public CR commitments were benchmarked against the public commitments of these organisations. The policies, objectives, targets, key performance indicators and reporting style of these organisations were all analysed for the report.	Evidence received: <ul style="list-style-type: none"> • Copy of Corporate Benchmarking report.