

## Risk management and internal controls

This section of the Strategic Report details our risk management and internal control arrangements, as well as reporting on our principal risks and uncertainties. Further information relating to these matters are also included in our Audit & Risk Committee Report, which can be found at page 95.

## Effective risk management contributing to delivering sustainable growth

Our risk management framework is designed to identify the principal risks and uncertainties to our business and ensure that:

- they are being appropriately monitored;
- there are appropriate and suitable controls in place; and
- required actions have clear ownership and accountability.

### Risk management approach

Risk management is central to us meeting our operational and strategic objectives, it supports effective decision-making and ensures we balance risk with returns.

The Board has ultimate responsibility for oversight of our risk management framework and internal control systems, and for determining the Group's risk appetite. The Board has delegated matters relating to risk to the Audit & Risk Committee. See page 95 for the Audit & Risk Committee Report which includes information on the activities of the Committee.

We continue to evolve our mature risk management framework through which we identify and assess potential risks and establish appropriate controls and mitigations to reduce risk to tolerable levels. The process also identifies

principal risks and uncertainties that could significantly impact the business (see pages 64 to 69 for further information). We also establish formal risk appetite statements for those principal risks and uncertainties. Our objective is not to eliminate all risk but to ensure that each risk remains at a tolerable level.

### Risk assessment approach

We assess and identify risk using a 'bottom-up' and a 'top-down' approach. Once identified, we determine the potential probability and impact of each risk and give it a gross (before mitigation) and net (after mitigation) score. This allows us to assess whether risks are within appetite and tolerable and which require further treatment.

During the year we have taken the opportunity to review our impact and probability scales within the risk-scoring

matrix to ensure they reflect our current operating and external environment. We use this risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact and that matrix includes a range of potential impacts including financial, operational and reputational impacts.

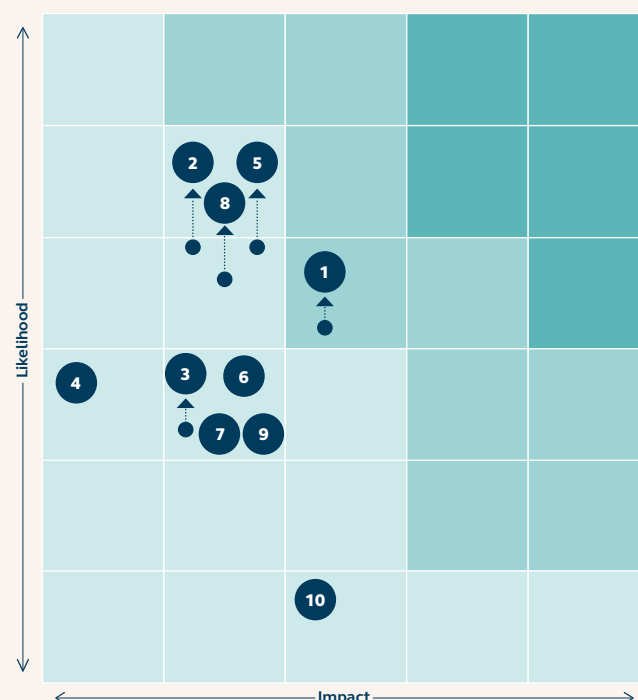
The period for assessment varies according to the risk. For example, the assessment of risks in operational areas are based on the likelihood of how often they occur in a rolling 12-month period while climate-related risks are assessed over a longer timeframe. We record the impact and likelihood scores and mitigations in Divisional risk registers.

Page 86 sets out our governance framework, including a summary of the Group's Board and Executive Committee structure.

### Mapping our key risks and movement (post-mitigation scoring)

#### Principal risks and uncertainties

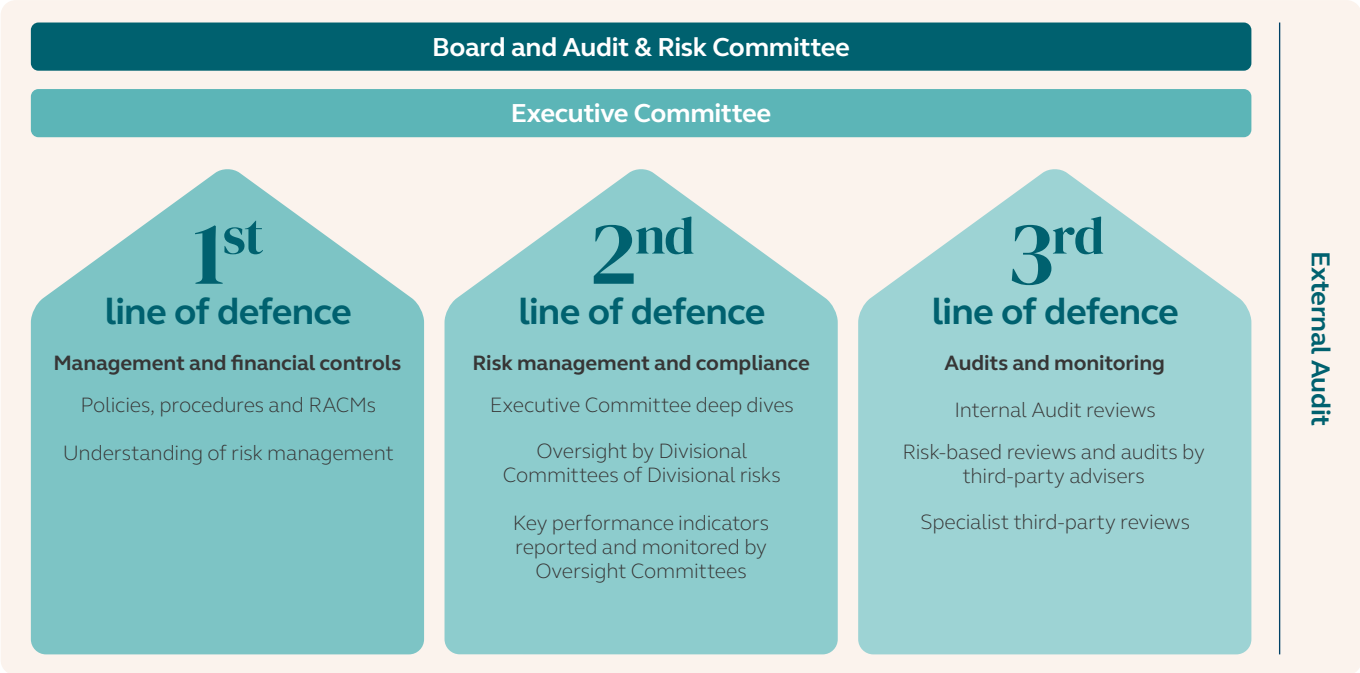
- 1 Geopolitical and Macroeconomic
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- .....> Indicates risk movement from last year



Risk management and internal controls continued

Risk and internal controls framework

We operate a three lines of defence model which is described in the diagram below.



Effective management of risk

Each year the Executive Committee agree a plan of risk management activities which are aligned to the business strategy, ensuring our risk focus is applied to key business priorities throughout the year.

Risk registers are regularly reviewed and updated as required. The relevant Oversight Committees review these registers at least quarterly while the Executive Committee reviews the Group principal risks and uncertainties at least twice a year. The output from these assessments and reviews are considered by the Audit & Risk Committee and presented to the Board at least twice a year. Through this process we have identified our principal risks and uncertainties which are set out in pages 64 to 69 of this report with explanations of the links to our strategy together with descriptions of the key mitigations which are in place.

Whilst we have not identified any new risks this year which are material enough to be considered as a new principal risk and uncertainty, we have assessed five risks as having increased in their likelihood assessment. The remaining five have remained stable. The diagram on page 61 maps our assessment of the principal risks and uncertainties, post-mitigation.

During the year we disaggregated our principal risks and uncertainties to support the identification of material controls in readiness for Provision 29 of the 2024 Code, which will apply to Grainger from 1 October 2026.

This work supports the identification of material controls and the effective design of our attestation and testing programme, enhancing assurance over risk management and internal controls.

Evolving and Emerging risks

The Board has continued to monitor emerging risks in addition to its regular monitoring of the current risk landscape. Emerging risks are those which are still evolving or for which the potential impact on the business remains unclear. Two examples of emerging risks being monitored include:

- Geopolitical risk – geopolitical events could have unforeseen impacts on the business through supply chains, commodity prices, inflation and interest rates or regulation.
- Longer term climate change – the specific impact of increasing climate change on temperatures or rainfall levels and the consequent impact to our buildings and customers remains uncertain and may evolve.

Risk control framework and appetite

The Executive Committee and the Oversight Committees examine the identified risks, reported controls, key mitigations and the principal risks and uncertainties reporting.

The Audit & Risk Committee supports the Board by monitoring and reviewing the controls environment and risk process.

These processes ensure we regularly review our principal risks and uncertainties.

We monitor the internal control framework for these principal risks and uncertainties through the Internal Audit monitoring plan which is aligned to our assurance map.

Further information on our internal controls is included in the Audit & Risk Committee Report on page 95.

Assurance on our risk controls is provided to the Board by a combination of internal management information, internal and external auditors work, and the Audit & Risk Committee’s oversight. We also hold an assurance map for our principal and operational risks which is considered in our audit planning.

Our risk management and internal control arrangements include data protection and health and building safety arrangements which are supported by our Oversight Committees (see page 86 for details of our Committees). Set out below are details of our data protection and health and building safety arrangements.

### Data protection

The data protection activities of the business form part of our business-as-usual processes which are overseen by the Data Protection Committee, which includes senior representation from across the business and is chaired by our Group Legal Counsel who is also our Data Protection Lead.

The Executive Committee, Board, and Audit & Risk Committee receive regular updates on all matters and activities related to the ongoing development and support of our data protection compliance framework. This ensures that our leadership maintains clear oversight and that our compliance regime continues to evolve in line with developments in best practices and in accordance with the evolving regulatory and statutory requirements.

This year we have considered data breaches arising from cybersecurity incidents experienced by Marks & Spencer, Co-op, Jaguar Land Rover and others. We have also adapted our processes in line with the Data (Use and Access) Act 2025.

### Health and Building Safety

The safety and wellbeing of our colleagues, customers and communities remains our highest priority.

### Governance and oversight

The Group operates a comprehensive H&S management system led by the Director of H&S, utilising risk management systems for identifying, mitigating and reporting real-time H&S information.

Our governance structure includes:

- A H&S Committee with colleagues from across the organisation, responsible for overseeing management and monitoring compliance with laws and regulations;
- A new H&S Forum being established to enhance colleague engagement;
- Oversight by the Operations Board
- Regular reporting to the Board at each meeting; and
- Annual presentations to the Board by the Director of H&S on strategy and business planning.

For building safety specifically, we have dedicated arrangements headed by a Director of Building Safety and Block Management. The Building and Fire Safety Team monitors and promotes building safety through established policies, procedures, regular risk assessments, structural surveys, and inspections.

### Live.Safe programme

Our Live.Safe programme embeds a proactive safety culture throughout Grainger, empowering colleagues to speak up about safety concerns. This cultural change programme aligns with our corporate strategy and is built upon three key pillars:

- Originate.Safe: ensuring the highest standards in design and construction;
- Invest.Safe: conducting thorough due diligence when acquiring properties; and
- Operate.Safe: putting customers at the heart of our management plans.

We implement Live.Safe through:

- Annual Live.Safe Weeks;
- Comprehensive training;
- Online resources;
- Safety Climate Surveys;
- Executive leadership; and
- Continuous improvement following the Plan, Do, Check, Act method.

### Safety performance

Our annual Safety Climate Survey demonstrates continued year-on-year improvement, with results surpassing both the All Industries and the Real Estate and Facilities Management benchmarks across all eight measured factors. This independent assessment evaluates key factors such as leadership, communication, colleague involvement, and attitudes.

This achievement reflects our commitment to creating safe environments for both colleagues and customers, ensuring safety remains central to everything we do.

### Customer and building safety

Our frontline teams highlight our safety approach through Health, Safety and Security weeks across our BTR properties, offering practical safety tips with support from local emergency services.

Grainger maintains a constructive relationship with the Building Safety Regulator, resulting in the progressive issuance of Building Safety Certificates across our in-scope buildings. We engage with building occupants to provide information, gather feedback, and promote awareness of safety measures and emergency procedures, including comprehensive emergency plans and regular drills.

Together, these arrangements ensure we maintain our 'best-in-class' focus on health and building safety, safeguarding our colleagues, customers, and all visitors to our sites while continuously improving through learning from audits, inspections, and incidents.

## Principal risks and uncertainties

# Managing our principal risks and uncertainties



The Directors regularly review the Group's principal risks and uncertainties taking into account Management's reporting on risk, internal controls and emerging risks.

### Principal risks, uncertainties and opportunities

Principal risks and uncertainties are considered by the Board as part of the strategy setting and in the consideration of new opportunities and potential investments.

The Audit & Risk Committee review deep dive reports on each of the principal risks and uncertainties on a rolling programme to allow in depth discussion and consideration of individual risks. Further information on our risk deep dives is included in the Audit & Risk Committee Report on page 95.

The Audit & Risk Committee also reviews and maintains formal risk appetite statements for each principal risk and uncertainty. The Directors generally adopt a low tolerance for risk, particularly in respect of regulatory or reputational matters. In relation to development risk, a medium risk appetite is tolerated in order to continue to capitalise on the substantial opportunity within the residential real estate sector.

### UK outlook

The UK faces a severe undersupply of housing; supply will continue to be constrained with current planning permissions and housing starts insufficient to meet growing demand. Rental demand is set to grow as the UK population continues to increase. Structural changes continue to drive demand as more people rent for longer. We have clear and strong customer demographics, using carefully selected investment locations. All of these factors are presenting exciting acquisition opportunities as we pursue multiple routes for future growth and secure investment opportunities.

The economy continues to grow, albeit with concerns around business confidence and employment levels. The Bank of England expects inflation to trend towards the 2% target by 2027, which could set a more favourable interest rate environment in the coming years which will offer a greater degree of pricing certainty. The levelling off of construction cost inflation should prove supportive to the overall viability of development in the next 12 to 18 months.

2025 has been another busy year for the PRS, smaller landlords have reassessed their investments leading to many exiting the market. During the remainder of 2025, we will continue in our preparations for the Renter's Rights Act, we believe investing in more sustainable housing stock supports these changes. While some small private landlords are choosing to exit, a more professional, resilient market is emerging. 2026 will be more of the same as we focus on strong demand, a maturing investor base and a shift toward quality and scale which are reshaping the sector for the better.

As the market leader in the BTR sector, we are well positioned for the future. Our research delivers granular understanding of customer affordability and ensures that our high-quality, energy efficient homes achieve the desired mid-market position within our sector.

Going forward, we continue to scrutinise those risks most likely to impact our business model and disrupt operations.



## Geopolitical and Macroeconomic

Increasing

Low growth and inflationary pressures



### Risk description

Geopolitical and national events influence macroeconomic trends (such as changes to inflation and interest rates) that impact investor confidence or consumer sentiment, choice and wealth, impacting performance and valuation of our portfolio.

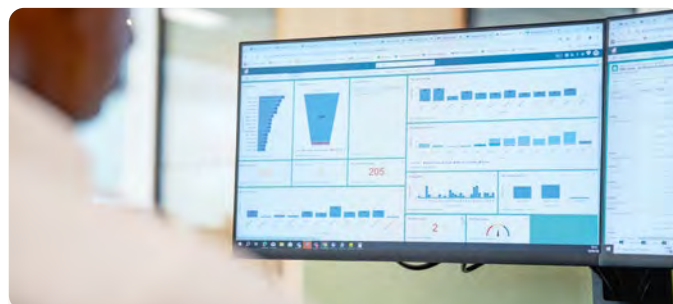
### Impact on strategy

The geopolitical and macroeconomic environment presents interconnected risks including inflation pressures affecting unemployment and consumer affordability, increased development and operational costs, potential impact on asset capital valuations with constrained growth, interest rate sensitivity affecting debt servicing costs, reduced consumer sentiment, market liquidity constraints, regulatory environment changes including taxation, and supply chain disruption from tariffs and trade impacts. These risks impact on strategic decisions around investment, development, and asset management.



### Key mitigations

- We monitor inflation, interest rates, and GDP trends and assess impact on development costs, asset values and consumer affordability.
- Prepare for taxation and tariff changes.
- Strong rental demand as UK continues to face an ongoing housing shortage and customer affordability issues make renting more attractive.
- Our customer affordability is underpinned by strong customer demographics and energy efficient properties and our mid-market positioning supports our long-term sustainable growth.
- Our development arrangements ensure we maintain optionality and flexibility on the delivery of our pipeline and we monitor our capital ensuring we deploy investment into development matters carefully, and in accordance with our capital allocation policy.
- Our joint venture partnerships enable us to combine resources, expertise, networks and risk-sharing.



## Financial

Increasing

Bank of England's cautious approach to interest rate reduction



### Risk description

Macroeconomic factors such as changes to interest rates, market factors such as changes to credit spread or availability of finance, or a significant worsening of our business performance which collectively or individually impact on our ability to secure funding to support growth. For example, our ability to obtain sufficient finance at acceptable prices and/or increase the cost of any existing floating rate debt and/or ability to raise equity capital is altered.

### Impact on strategy

Growth plans may be constrained by limited access to affordable finance or increased debt servicing costs.



### Key mitigations

- In-house Treasury Team actively manages our capital arrangements including funding and debt levels as well as covenant compliance.
- Our current funding arrangements ensures we have no material refinancing requirements until 2029.
- We monitor financial markets and interest rate trends to ensure we maintain arrangements that provide protection against rising interest rates.
- Our Management Team are focused on growing net rental income which is supported by our efforts to maintain a strong lease up of our new BTR sites.
- We also have a liquid asset base which provides flexibility to our capital arrangements.





Principal risks and uncertainties continued



Political and regulatory

Increasing  
Renters' Rights Act, Taxation, Sustainability



Risk description

Developments in domestic political or policy landscape that impacts BTR, land development and housing sectors. Changes to policies and regulations can increase our operational and compliance costs and reduce growth. Failure to comply with regulations can also lead to fines, damage to our reputation and loss of business.

Impact on strategy

Operational efficiency and growth plans may be hindered by evolving regulations and political reforms.



Key mitigations

- We have in-house expertise within our Group Functions (e.g. Corporate Affairs, Finance, HR, Compliance and Governance teams) and we engage external professional services as required.
- We monitor policy and legislative changes and prepare for implementation of reforms engaging with business functions across the Group.
- We actively engage with the Government on matters affecting our sector.
- We have established policies and procedures, and we deliver training to colleagues to ensure we operate in compliance with relevant laws and regulations. We will update our arrangements to ensure compliance with new regulatory requirements.



Colleagues

Stable



Risk description

Failure to attract, develop, and retain a talented diverse workforce and provide an inclusive environment, leading to loss of key capabilities, individuals and experience from within the business.

Impact on strategy

Business performance and strategy delivery may be compromised due to talent gaps arising from a failure to recruit and retain. This could also reduce organisational resilience.



Key mitigations

- Our dedicated in-house HR Team has an established People Strategy which includes recruitment and retention strategies. Our People strategy is aligned to our business plan, and approved by the Board annually.
- We have defined values which direct our behaviours, and we actively monitor our culture.
- We are committed to raising awareness and encouraging a culture of equality, diversity and inclusion through ED&I initiatives which are delivered through our ED&I Steering Group and Network.
- Our colleague engagement measures include regular surveys and the appointment of our designated Non-Executive Director responsible for workforce engagement. We listen to the results of these engagements and actively seek to respond to feedback.



## Supplier

Increasing

Geopolitical tensions, rising costs



### Risk description

Failure to select, procure, retain and manage key suppliers and the impact on us of supplier acts and omissions, resulting in increased costs to the business, loss of supply, fines, damages and reputational damage.

### Impact on strategy

Operational reliability and customer satisfaction may be affected, with potential regulatory consequences.

Negative impact on growth and increased workloads for colleagues in supplier and facilities management.



### Key mitigations

- Our dedicated in-house Procurement Team has established procurement arrangements which include policies, a supplier code, supplier selection arrangements, together with oversight and contingency arrangements.
- Our published supplier code of conduct sets out our expectations and describes how we partner with our suppliers.
- We have clear supplier selection criteria which is set out in our Procurement Policy and ensures we select and appoint suppliers who have the relevant competencies and skills to carry out the work or services that we require.



## Health & Building Safety

Stable



### Risk description

A significant health and/or building safety incident, such as a fire or gas safety breach causing harm to customers, suppliers, colleagues and members of the public.

### Impact on strategy

Non-compliance with safety standards may lead to legal, financial and reputational consequences as well as harm to customers, colleagues, contractors, or visitors to our sites.



### Key mitigations

- Our in-house H&S and Building Safety Teams include individuals with specialists skills and experience. They establish and implement our strategies and operational plans to ensure compliance with safety regulations and best practices.
- Our arrangements ensure we operate in accordance with our three lines of defence model. Our H&S Team is responsible for policies, audit and compliance, which includes conducting regular audits and training. Our Building Safety Team are responsible for ensuring the safety of our homes and offices.
- We regularly engage with our colleagues and our customers on health and building safety matters through initiatives like Live.Safe and our Health, Safety and Security weeks.
- We carry out routine property inspections and we have a programme of planned preventative maintenance which includes compliance assessments to ensure the safety of our residents.



## Principal risks and uncertainties continued



### Development

Stable



#### Risk description

We allocate a portion of our capital to development activities which may be complex and potentially bring multiple related risks. Increased costs including build cost inflation, labour and material shortages. Reduction in value through economic climate.

#### Impact on strategy

Delays or failures in development execution may hinder growth and investor confidence.



#### Key mitigations

- We have a dedicated Development Team which delivers our strategy to secure suitable land and manage our construction risks. Before committing to a scheme, we carry out thorough due diligence and in-depth research to ensure we understand the context, the contractor and its supply chain.
- We have well established governance structures which provide oversight of all of our development schemes, applying the skills of our in-house development management experts, together with qualified external consultants and professionals.
- To manage insolvency risks relating to our contractors or subcontractors, we conduct due diligence prior to their appointment and thereafter conduct monitoring activities. Where appropriate we will put in place additional measures, such as parent company guarantees, performance bonds, insurance and/or warranties.



### Cyber and information security

Increasing

Occurance of cyber-attacks increasing as reported by NCSC



#### Risk description

Confidential data loss or technology disruption due to internal or external factors impacting our information systems and data or by internal security control failures.

#### Impact on strategy

Operational disruption, regulatory breaches, and reputational harm may affect business continuity and stakeholder confidence.



#### Key mitigations

- We have dedicated in-house IT and data protection resources which support our focus on maintaining data and information security arrangements, including a strong cybersecurity infrastructure.
- All colleagues receive regular training to raise awareness of cyber security and data protection.
- Our Security Information and Event Management system provides a view of our security posture by collecting security-related information on threat detection, investigation and response.
- We have business continuity, crisis management and IT recovery plans in place.
- To increase our Cyber resilience and capability, Grainger has undergone a rigorous procurement exercise to identify and select a 24/7 Security Operations Centre service. The selection has concluded with the selection of NCC, as our trusted security partner. Implementation is underway with the full capability deployed by 1 December 2025.





## Customer Experience

Stable



### Risk description

Our ability to successfully attract and retain our customers whilst achieving rental growth in accordance with expectations.

### Impact on strategy

Poor experience can give rise to increased complaints and costs and negatively impact brand and result in a failure to attract and retain customers, which in turn can impact asset values.



### Key mitigations

- Our dedicated in-house Customer Experience Team is supported by investment in systems that monitor, engage and respond to customers, and to enhance our service quality standards.
- We invest to create high-quality homes with services to suit our customer needs and demands.
- We focus on brand and customer engagement and monitor customer sentiment. Our arrangements include customer service training which is delivered to all colleagues.
- We leverage our data, technology and AI capabilities to drive improvements in customer experience.



## Sustainability

Stable



### Risk description

Failure to effectively manage material sustainability risks and to identify emerging risks. This includes assessment of risks associated with climate change, communities and biodiversity. Failure to meet customer and investor expectations and operating as a good corporate citizen. Failure to comply with climate-related legislation. The costs and impacts of transition to a zero-carbon economy.

### Impact on strategy

Asset values, investor confidence, and regulatory compliance may be compromised.

Business disruption caused by climate-related events.

Failure to progress ED&I will impact on our Colleague Risk.

Customer satisfaction and retention could be impacted.



### Key mitigations

- Our dedicated in-house Sustainability Team oversees and monitors all of our sustainability initiatives.
- We continue to undertake our asset level sustainability due diligence programme and invest in energy efficiency and climate resilience measures.
- We align our operations with sustainability legislation and reporting standards and engage with Regulators and policy makers on relevant issues.
- We meet stakeholder expectations for sustainability performance and participate in external benchmarking to provide investors with assurance on our performance.



For more information about our climate-related risks in the TCFD report see page 56

