

grainger plc

SUSTAINABLE FINANCE FRAMEWORK

September 2022

1. Introduction

1.1 Background

Grainger (the “Company”) is a British-based residential property business.

Established in 1912 and headquartered in Newcastle, Grainger is an award-winning, forward-looking business with a team of experts who have been putting customers first for over a century.

We are the UK’s largest listed residential landlord and a leader in the fast-growing UK build-to-rent sector, providing c.10,000 rental homes to over 20,000 residents.

With ambitious growth plans, Grainger is investing a further £1.9bn into our pipeline comprising c.8,300 much needed high-quality mid-market rental homes in exciting towns and cities across the UK.

A multiple award-winning business, Grainger is renowned for raising the bar when it comes to rental standards in the UK, delivering professional and dedicated inhouse management and leading the way in health and safety standards.

Grainger doesn’t just rent homes. We invest in them, build them and manage them in-house. Grainger is directly investing in the best assets in the best locations using in-house proprietary research and leveraging our leading operational platform which delivers market outperformance. It’s a fully integrated approach that enables efficiency and provides a unique insight into what customers need and want – and what they’ll be looking for next.

Grainger targets locations where people want to live and focuses on creating spaces that customers enjoy and that make a positive impact in local communities. This enables us to create sustainable value for customers, communities and stakeholders.

The Grainger team is dedicated to the common purpose of Renting Homes, Enriching Lives, backed by a set of core values and a commitment to provide high quality rental homes and great customer service. Grainger’s build-to-rent schemes offer a range of benefits from professional on-site Resident Services teams to a range of resident amenities including gyms, lounges, roof terraces and co-working space, with superfast high-speed WiFi included in the rent. We also offer longer term tenancies and pet friendly policies.

As a sector leader, Grainger is leading the way in improving rental standards in the UK. Through high quality design and build, best in class health and safety, professional management, and flexible and fair terms; we are changing the private rental sector for the better, and in doing so, changing people’s lives for the better.

Grainger works in partnership with a large number of public sector organisations to deliver new homes to local communities, including Transport for London, the Ministry of Defence, Lewisham Borough Council and the Local Pensions Partnership.

In addition to our core product of mid-market rental homes, we provide affordable homes which are often integrated within our new rental schemes. These include both Intermediate homes (Shared Ownership or Discount Market Rent) or Affordable homes.

Working with local authorities, these homes are made available to a range of people, including key workers as well as those in need of housing support. The majority of these affordable homes are provided by our in-house Registered Provider of Affordable Housing (‘RP’), Grainger Trust, which is regulated by the Regulator of Social Housing. We are also establishing a new Registered Provider to manage the affordable homes delivered through our Joint Venture with Transport for London, Connected Living London.

Our affordable homes are managed inhouse by Grainger and residents benefit from a higher standard of product and service than would typically be provided. This includes Grainger’s leading approach to customer service, our bespoke high-quality specification and a tenure blind approach which ensures all residents benefit from a range of amenity spaces and the opportunity to be part of a wider community. As a private rented sector specialist with over 109 years in operation, Grainger leverages our experience to deliver an enhanced rental experience to both our affordable and private customers.

Grainger's commitment to sustainability is fully integrated into our business operations and supports the delivery of our business strategy. We believe delivering rental homes with a green or social benefit contributes to the following outcomes for our business:

- Resilient asset performance
- High levels of customer satisfaction with high occupancy supporting sustainable net rental income
- Thriving communities within and around our buildings which support customer retention and long-term asset performance
- Motivated employees who deliver great customer service and support the delivery of our strategic plans
- Grainger has always had a strong social purpose and being a responsible business is central to who we are, our strategy and our core product of mid-market rental homes.

1.2 Grainger's commitment to sustainability¹

Grainger takes a leading approach to sustainability, specifically Environmental and Social and Governance issues (ESG). We have ambitious commitments to be net zero carbon for the operation of our buildings by 2030, to integrate ESG into investment decisions, to have a diverse and inclusive workforce and to make a positive social impact locally where we invest and operate.

Grainger's commitment to responsibility translates to all areas of our operations, from being a responsible employer, to delivering the best customer service, providing high quality rental homes that support customer wellbeing and creating social value for customers and communities. We adhere to the highest standards of ethics and governance, and are proud to be a FTSE4Good business. We are committed to minimising the environmental impact of our operations and are supporting the transition to a low carbon economy through an ambitious net zero carbon commitment for the operation of our buildings.

Grainger's commitment to sustainability is supported by a robust governance framework, extensive stakeholder engagement and our long-term ESG commitments which focus on areas material to our business where we can make the most positive impact. Sustainability is of ever-increasing importance to our stakeholders and we are committed to transparent public reporting on our progress.

1.3 Grainger's approach to Sustainability²

- 1. Grainger's Strategy:** Our sustainability or ESG strategy sets out our ambitions to deliver positive outcomes for our people and communities, to create desirable and healthy homes for our residents, and to secure a strong future for our business, our sector and the wider environment in which we operate. Our strategic focus areas are supported by long-term commitments that directly address key risks and opportunities for our business and stakeholders.

Sustainability Focus Areas

Grainger's sustainability strategy focuses on the following areas that are material to our business and stakeholders.

- 1. People – Treating people positively:** We are committed to being a great employer to our people, a great landlord to our customers, and to delivering long-term social value to the communities where we operate.
- 2. Assets – Creating desirable, healthy homes:** We are committed to creating high quality homes for rent. We take a long-term view and want our properties to be attractive to as many customers as possible for years to come, and to be resilient, delivering long-term returns to our stakeholders.
- 3. Environment – Securing our future:** Aligned to our goal of protecting the long-term future of our business, we are committed to measuring our environmental impact, and taking appropriate action to ensure it is as positive as it can be.

¹ <https://corporate.graingerplc.co.uk/responsibility>

² <https://corporate.graingerplc.co.uk/responsibility/our-approach-and-strategy>

Grainger Vision

To be the UK's best private landlord and offer high-quality homes for rent

Sustainability vision

Create long-term and sustainable value for our shareholders, customers and employees

People

Treating people positively

Desired outcomes

1. Build strong, loyal relationships with our customers
2. Promote healthy lifestyles and wellbeing among customers and employees
3. Make a positive impact on local communities and help them thrive.

Assets

Creating desirable, health homes

Desired outcomes

1. Provide homes for rent which are affordable to a broad range of people and incomes
2. Ensure our homes are designed well, to be safe and secure
3. Create and maintain homes that will last and be attractive to customers for many years to come, protecting the value of our assets for our shareholders.

Environment

Securing our future

Desired outcomes

1. Protect the value and income of our assets
2. Reduce our environmental footprint in our new developments and existing operations
3. Help create a positive rental housing market.

Grainger's Sustainability Strategy

Our sustainability focus areas are supported by our long-term ESG commitments:

1. Achieve net zero carbon for the operation of our buildings by 2030
2. Deliver enhanced investment decisions through incorporating ESG considerations including risks, costs and returns
3. Measure and deliver positive social value contribution to our customers and communities
4. Ensure Grainger's workforce is reflective of society

The implementation of Grainger's sustainability strategy is supported by our commitment to stakeholder engagement and by the integration of sustainability into our corporate risk management framework.

2. **Stakeholder engagement:** Grainger believes understanding our stakeholders and their expectations is critical in delivering on our purpose and meeting our ambitions to be a trusted landlord and employer, and to deliver long-term value to our customers, shareholders, employees, partners and the communities where we operate.
3. **An Integrated Risk and ESG Framework:** Sustainability is integrated into Grainger's corporate risk management framework which considers current and emerging risks including policy and regulation, and physical risks to our property portfolios. We regularly review our sustainability strategy informed by a materiality review which identifies priority risks and opportunities for Grainger's stakeholders. This informs the setting of our long-term commitments and supporting initiatives.

1.4 Sustainability Governance

Grainger's Chief Executive and the leadership team have overall responsibility for sustainability. Oversight of delivery of long-term sustainability commitments is assigned to members of Grainger's Executive Committee and is integrated into individuals' annual performance objectives and remuneration.

ESG matters are regularly considered by the PLC Board throughout the year. Formal sustainability updates are provided to the main Board and to Grainger's Executive Committee biannually and informal updates are provided regularly to Grainger's Management Committee. Grainger has appointed a new Non-Executive Director to oversee ESG and chair our Responsible Business Committee. The Committee will provide Board-level oversight of the delivery of the Company's ESG Strategy and will oversee the implementation of the Sustainable Finance Framework alongside the Finance Committee.

1.5 Purpose of this framework

Grainger intends to align our funding strategy with our purpose to enrich people's lives by providing high-quality rental homes. We believe that sustainable finance instruments are an effective tool to channel financing to projects that demonstrate clear environmental or social benefits. Our finance framework will support our investment in mid-market and affordable homes that are designed to be energy efficient, to enhance the wellbeing of our residents and to support a thriving community.

This framework will support Grainger's commitments to transparent disclosure and ongoing dialogue on ESG topics with our investors, further driving the responsible investment agenda which we see as critical to delivering our transition to a net zero carbon economy.



2. Grainger Sustainable Finance Framework

In order to meet its mission, and finance projects that will deliver benefits to support Grainger's business strategy and vision, Grainger has elected to create a Sustainable Finance Framework (the "Framework").

This Sustainable Finance Framework will be used to govern all forms of green, social and sustainable finance including, but not limited to, Public Bonds, Private Placements, Revolving Credit Facilities and Bank Loans (together known as "Sustainable Financing Instruments").

- I. Green financing instrument – where proceeds are used to finance 'Eligible Green Projects' as defined in section 2.1 'Use of Proceeds'
- II. Social financing instrument – where proceeds are used to finance 'Eligible Social Projects' as defined in section 2.1 'Use of Proceeds'
- III. Sustainability financing instrument – where proceeds are used to finance 'Eligible Green Projects' and 'Eligible Social Projects' as defined in section 2.1 'Use of Proceeds'

This Framework is in accordance with the ICMA Green Bond Principles³ (GBP) 2021, Social Bond Principles (SBP) 2021⁴ and Sustainability Bond Guidelines⁵ (SBG) 2021 and the Loan Market Association (LMA) Green Loan Principles 2021⁶ (GLP) / Social Loan Principles 2021⁷ (SLP) as administered by the Loan Market Association and uses the core components of the principles as its basis, being:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

Each of Grainger's eligible categories have been aligned with the relevant UN Sustainable Development Goals and EU environmental objectives. The Framework also takes into consideration, where possible, the EU Taxonomy Regulation⁸ (the "EU Taxonomy") and the EU Taxonomy Delegated Acts⁹ on Climate Change Mitigation and Adaptation adopted in June 2021. Where feasible, Grainger may further update or expand the Framework to align with emerging market standards and best practices, such as the UK Taxonomy or other relevant standards and guidelines.

2.1 Use of Proceeds

An amount equivalent to the net proceeds raised from any Grainger Green, Social or Sustainability Financing Instrument issued under this Sustainable Finance Framework will be allocated, in part or in full, to finance or refinance the following eligible projects:



³ Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) - https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

⁴ Social Bond Principles (SBP) 2021 (with June 2022 Appendix 1) - https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022-280622.pdf



⁵ Sustainability Bond Guidelines 2021 - <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁶ Green Loan Principles 2021- <https://www.lsta.org/content/green-loan-principles/#>

⁷ Social Loan Principles 2021- <https://www.lsta.org/content/social-loan-principles-slp/#>⁸ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

⁹ EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in June 2021: https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en

1. Eligible Green Project Categories:

Alignment with GBP	Alignment with the UN SDGs ¹⁰	Mapping to the EU Environmental Objective	Eligibility criteria
Green buildings	  	Climate Change Mitigation	<ul style="list-style-type: none"> New developments or existing residential buildings that have received or are expected to receive either of the following third-party verified green building certifications: <ul style="list-style-type: none"> EPC B or Higher Minimum BREEAM Excellent or above; and/or Minimum Home Quality Mark 4 Star or above Any other equivalent or higher level of certification
Renewable energy	 	Climate Change Mitigation	<ul style="list-style-type: none"> Purchase and generation of electricity coming from renewable sources including wind and solar Investment in combined heat and power and combined cooling heat and power solutions operating at less than 100g CO₂e/kWh of lifecycle emissions, declining to 0g CO₂e/kWh by 2050 Investment in electricity storage systems
Energy efficiency		Climate Change Mitigation	<ul style="list-style-type: none"> Building refurbishment and new or existing projects related to energy efficiency improvements, such as energy storage technologies, district heating, smart grids, metering systems, low energy installations such as insulation, windows, HVAC systems, LED lighting, lifts, heat pumps, achieving at least one of the following: <ul style="list-style-type: none"> Two or more rating bands improvement in EPC or achieving minimum standards as outlined in the Green Buildings category At least 30% improvement in energy efficiency and/or reducing consumption
Clean transportation	 	Climate Change Mitigation	<ul style="list-style-type: none"> Investment in infrastructure related to Electric Vehicles (EVs), such as charging infrastructure

¹⁰ UN Sustainable Development Goals: <https://sustainabledevelopment.un.org/?menu=1300>

2. Eligible Social Project Categories:

Alignment with GBP	Alignment with the UN SDGs	Mapping to the EU Environmental Objective	Eligibility criteria
Affordable Housing		<ul style="list-style-type: none"> Provision of affordable housing and shelter in the United Kingdom Renovation, maintenance and improvements of existing social housing projects <p><i>Social housing that is for “social” or “affordable” rents as set out in the UK Government’s Policy Statement on Rents for Social Housing”¹¹</i></p>	<ul style="list-style-type: none"> Elderly people Low-income groups People with disabilities Key workers

Eligible Green/Social Projects may include physical assets such as green buildings, as well as capital expenditures and selected operating expenditures related to those assets.

The criteria considered align to the criteria set out in section 2.1 (‘Use of Proceeds’). Grainger’s Head of Sustainability and the Director of Investments (Acquisitions) will provide formal sustainability approval for the potential investment to Investment Committee prior to exchange.

2.2 Project Evaluation and Selection Process

The eligible green and social projects will be subject to the following due diligence, which ensures that they meet the criteria set out above in section 2.1 (‘Use of Proceeds’).

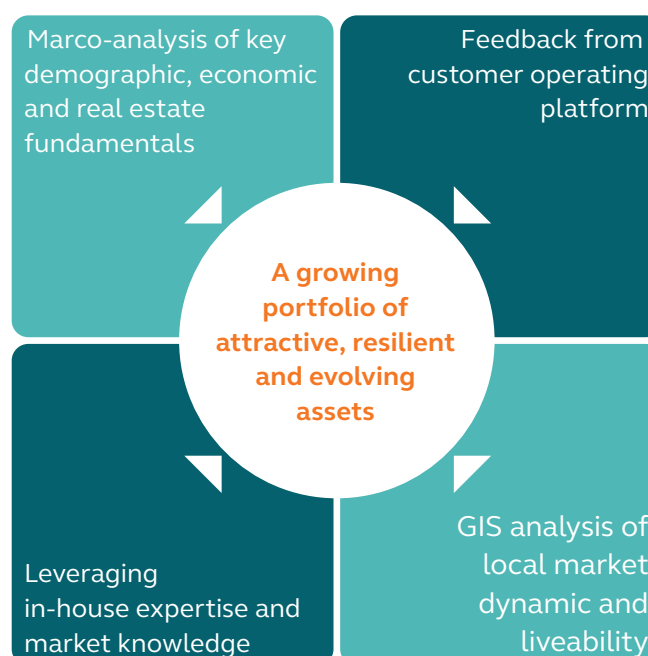
Investment Committee

Our investment process begins with comprehensive research to identify cities with the greatest demand and greatest growth potential. We invest in sites in safe neighbourhoods that provide residents with good proximity to public transport and local services.

Grainger’s Investment Committee meets twice weekly to oversee the investment process for all potential investments. The Committee includes the Chief Executive and Chief Finance Officers and representatives from the Investment, Finance, Development and Legal Risk & Governance departments.

Investment Committee will consider the environmental and social criteria of potential investments at the following stages:

- Investment Committee Stage 1 – following appraisal, prior to offer
- Investment Committee Stage 3 – prior to exchange and completion



¹¹ Government’s Policy Statement on Rents for Social Housing: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

Portfolio and asset level environmental and social risks are reviewed regularly through the company's asset hierarchy reviews which are overseen by Investment Committee. Material risks are fed into the corporate risk management framework and managed through a 'three lines of defence' model.

Sustainable Finance Working Group

Grainger will establish a Sustainable Finance Working Group (SFWG), which will be made up of representatives from the below departments:

- Chief Financial Officer
- Treasury
- Corporate Affairs/Sustainability department
- Investment Committee (as described above)
- Commercial Finance department

The SFWG will be chaired by the Chief Financial Officer and will meet on a semi-annual basis.

The missions of the SFWG are the following:

- review the eligible Green and Social project list and assesses project eligibility for Green or Social financing in accordance with the pre-determined Eligibility Criteria set out in section '2.1 Use of Proceeds' of this Framework;
- monitor the eligible Green and Social projects portfolio, specifically, during the life of each Green, Social or Sustainability Financing Instruments issued; the Committee can decide to exclude or replace select eligible Green or Social projects if an eligible project no longer meets the eligibility criteria, or if it is sold off;
- oversee the arrangements established to ensure the Green, Social or Sustainability Financing Instruments remain in alignment with the ICMA GBP / SBP / SBG/ GLP/ SLP;
- oversee the arrangements established to ensure Green, Social or Sustainability Financing Instrument proceeds are utilised in accordance with the uses specified in the Framework;
- oversee the introduction and operation of arrangements to generate the information required to produce periodic Green, Social or Sustainability Financing Instrument Reports, in

accordance with the Framework and the GBP / SBP / SBG/ GLP/ SLP

- managing the allocation of Green, Social or Sustainability Financing Instruments proceeds as per section '2.3 Management of Proceeds' and facilitating reporting as per section '2.4 Reporting' of this Framework; and,
- manage any future updates of the Framework and corresponding Second Party Opinion;

2.3 Management of Proceeds

An amount equivalent to the net proceeds raised from any Grainger's Green, Social or Sustainability Financing Instrument issued under this Sustainable Finance Framework will be allocated towards eligible green and/or social projects as stated in section '2.1 Use of Proceeds' of this Framework. In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with Grainger's general liquidity guidelines until allocation to Eligible Green/Social Projects. Unallocated funds may be temporarily used to repay Revolving Credit Facilities (including green RCFs), placed on short-term deposit with approved counterparties, or other similar products in line with Grainger's general liquidity guidelines. All proceeds will be tracked and managed in line with the terms of this Framework.

Eligible Green / Social Projects may include physical assets such as green buildings, as well as capital expenditures and selected operating expenditures related to those assets. For capital or operating expenditures, a look-back period of up to 36 months prior to the time of debt issuance will be applied.

We intend to allocate an amount equivalent to the net proceeds raised by any Sustainable Financing Instrument to Eligible Projects within 24 months of issuance.

2.4 Reporting

On an annual basis, Grainger will publish on its website an allocation report and an impact report one year following the issuance of the applicable Green, Social or Sustainability Financing Instruments issuance, as detailed below. This reporting will be updated at least annually until full allocation of the net proceeds of any Green, Social or Sustainability Financing Instrument issued, and in the case of any material updates thereafter. Grainger intends to report the allocation of the Use of Proceeds to the Eligible Projects at least at the category level and on an aggregated basis for all the Sustainable Financing Instruments for so long as such instruments remain outstanding.

2.4.1 Allocation Reporting

Grainger will provide information on the Eligible Green and/or Social Projects Portfolio on Grainger's website. The information will contain at least the following details:

- I. The total amount of proceeds allocated to the Eligible Green and/or Social Projects
- II. Breakdown of allocation by eligible project category
- III. Breakdown of allocation by project location
- IV. Refinancing versus new financing
- V. Amount of unallocated proceeds (if any)
- VI. Any material developments related to the Eligible Projects



2.4.2 Impact Reporting

Where feasible, Grainger will provide reporting on relevant potential impact metrics for Eligible Green and Social projects as per below. Case studies or project summaries may also be provided. Grainger intends to align, on a best effort basis, the reporting with ICMA's Harmonised Framework for Impact Reporting. Examples of the relevant metrics could include:

- **Green Buildings**
 - Building certification achieved (system & ratings)
 - Estimated annual energy consumption (in kWh/m²)
 - Estimated annual CO₂ emissions avoided (tCO₂e)
- **Renewable Energy**
 - Amount of renewable energy generated or used (MWh)
 - Amount of energy saved (MWh)
 - Amount of CO₂ emissions avoided / reduced (tCO₂e)
- **Energy Efficiency**
 - Amount of CO₂ emissions avoided / reduced (tCO₂e)
 - Amount of energy saved (MWh)
- **Clean transportation**
 - Number of EV charge points funded or EVs acquired
 - Estimated annual CO₂ emissions avoided (tCO₂e)
- **Affordable Housing**
 - Number of new Affordable properties by category and average rents charged relative to private sector rents
 - The number of people provided with this housing

Where relevant, information will be provided on the impact assessment and data reporting methodologies applied by the Issuer. The approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.

3. External Review

3.1 Second-Party Opinion

Grainger has appointed DNV to provide an external review on the Grainger Sustainable Finance Framework, and confirm its alignment with the ICMA GBP, SBP, SBG, LMA GLP & SLP. This Second Party Opinion document will be made available on Grainger's website.

3.2 Post issuance external verification

Grainger's annual reporting will also be subject to external verification by an External Auditor. The auditor will verify:

- The compliance of assets financed by the Green, Social or Sustainability Financing Instrument proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible Green and/or Social projects financed by the Sustainable Financing Instrument proceeds
- The management of proceeds and unallocated proceeds amount

The external auditor's report will be published on Grainger's website.

4. Amendments to this Framework

The Sustainable Finance Working Group will review this Framework on a regular basis, including its alignment to updated versions of the GBP/SBP/SBG/GLP/SLP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Grainger and an External Reviewer. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on Grainger's website and will replace this Framework.

Disclaimer

This publication contains certain forward-looking statements. Any statement in this publication that is not a statement of historical fact including, without limitation, those regarding Grainger plc's future financial condition, business, operations, financial performance and other future events or developments involving Grainger, is a forward-looking statement. Such statements may, but not always, be identified by words such as 'expect', 'estimate', 'project', 'anticipate', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties as they relate to events which occur in the future and depend on circumstances which may or may not occur and go beyond Grainger's ability to control. Actual outcomes or results may differ materially from the outcomes or results expressed or implied by these forward-looking statements. Factors which may give rise to such differences include (but are not limited to) changing economic, financial, business, regulatory, legal, political, industry and market trends, house prices, competition, natural disasters, terrorism or other social, political or market conditions. This publication is for information purposes only and no reliance may be placed upon it. No representative or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this publication. Past performance of securities in Grainger plc cannot be relied upon as a guide to the future performance of such securities. This publication does not constitute an offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of Grainger plc.

