

Net zero carbon pathway

Delivering our commitment to achieve net zero carbon for the operation of our buildings

November 2021



grainger plc

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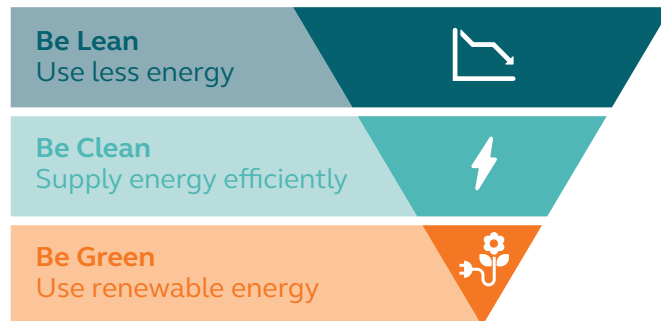
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Grainger takes our commitment to tackling climate change seriously and has a target to reduce the carbon emissions from the operation of our buildings to net zero by 2030. We have recently expanded the scope of our commitment to also include Scope 1 and 2 emissions from our offices and our leased vehicle fleet, however this pathway document focuses on how we will reduce emissions from the operation of our buildings.

We are supportive of the UK Government’s target to achieve net zero by 2050 and are committed to reducing the carbon emissions associated with Grainger’s business operations in alignment with a 1.5 degree climate warming scenario. This document sets out our proposed pathway to reduce our emissions and how we will measure progress towards achieving our commitment.

Our approach to reducing our emissions to net zero aligns to the UK Green Building Council’s framework definition for net zero carbon buildings. We follow the below energy hierarchy, and prioritise reducing energy demand, with offsetting only to be used as a last resort for residual emissions we are unable to eliminate.



Our commitment to achieve net zero carbon for the operation of our buildings by 2030 covers Grainger’s Scope 1 and 2 emissions. This means we will reduce Grainger’s purchased energy consumption and associated greenhouse gas (GHG) emissions in line with a 1.5 degree climate warming scenario and any emissions that we cannot eliminate will be offset through verified schemes.

Although our formal commitment covers Scope 1 and 2 emissions, Grainger is also taking action on significant sources of Scope 3 emissions including customers emissions, supply chain emissions from repairs and maintenance of our properties, and embodied carbon generated through the development of new buildings.

As a residential landlord with properties where our residents purchase their own energy, data protection regulations limit our ability to measure Scope 3 emissions from our customers. However we are taking steps to support our customers in reducing their emissions and plan to include these within our net zero carbon commitment in the future. We have included the steps we are taking to reduce Scope 3 emissions within this pathway document to provide visibility on how we will transition our business to a net zero carbon economy.

Our commitment and this pathway applies to all properties owned by Grainger plc and its subsidiaries. We include properties owned in Joint Ventures as Grainger has operational control for these assets.



OUR BUSINESS STRATEGY

Grainger’s net zero carbon commitment is aligned to our business strategy and informs strategic decisions taken by the business.

Grainger’s strategy is focused on transitioning to a private rented sector focused business which derives recurring net rental income from a core portfolio of high quality, well-located assets. We regularly review our portfolio against criteria including ESG risks and opportunities, to determine our asset hierarchy and which assets will be retained for the long-term. These criteria include energy efficiency ratings, type of heating systems and opportunities for refurbishment.

Grainger’s commitment to providing high quality rental homes means we invest in the assets we plan to retain for the long-term to enhance and maintain their quality. We are prioritising existing assets that we intend to own for the long-term for investment in carbon reduction initiatives. To maintain affordability for our residents, we ensure that refurbishments to our assets minimise capital and operational costs, whilst delivering an improved customer experience.

We have increased our investment in development projects to deliver high quality new homes which Grainger will own and manage for the long-term. The majority of our developments are delivered through a forward-funded model which limits the influence we have over the design of the buildings and their construction. We work closely with our development partners and supply chain to influence the design of our developments as much as we can to ensure they are as energy efficient as possible and use low carbon heating and renewable energy.

Grainger’s strategic growth plans will result in a transition of our portfolio from older less efficient buildings to new and refurbished high quality assets which are more energy efficient. Non-core properties which are sold will typically be refurbished or redeveloped by the new owner. In the short term whilst we retain a number of older assets, the emissions reductions from sales and refurbishments are being largely offset by acquisitions of new properties and our absolute emissions reductions are expected to accelerate significantly as we approach our net zero target deadline.

Grainger’s strategic property investment, development and operational decisions take into account our net zero carbon commitment. This includes considering the energy and carbon implications of investments in new acquisitions and developments, asset management decisions and asset recycling.

We believe the company’s net zero carbon strategy will assist us in managing the risks and opportunities from the UK’s transition to a net zero carbon economy. Grainger’s most material transition risks and opportunities are reported in the Taskforce on Climate-related Financial Disclosures (TCFD) aligned summary report within our Annual Report and Accounts and include:

TCFD RISK CATEGORY	TRANSITION RISKS IDENTIFIED
Policy and legal	Compliance with increasing building standards including the Minimum Energy Efficiency Regulations, the Future Homes Standard and the ‘Be Seen’ Energy Monitoring requirements.
Technology	The costs and technological implications of the transition away from fossil fuels to electrification. New metering requirements to enable energy monitoring and reporting, and measure reductions in customers’ energy consumption in their homes.
Market	Meeting higher expectations from our customers for more efficient homes that are comfortable to live in and have low running costs.
Reputation	Attracting new investment opportunities through satisfying growing stakeholder expectations for climate action. Maintaining and attracting financial investment through Grainger’s Sustainable Finance Framework.

INFLUENCING OUR CUSTOMERS

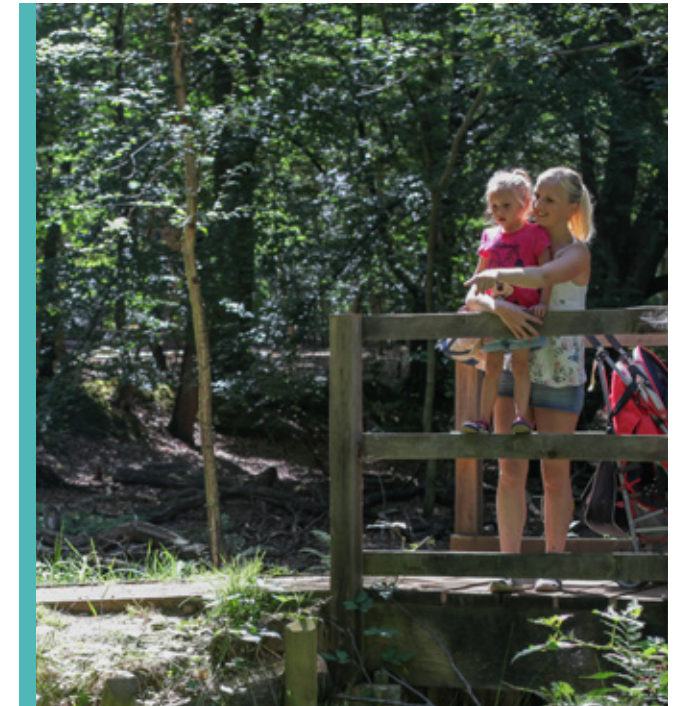
Grainger's purpose is to enrich peoples lives by providing high quality rental homes and great customer service and we are committed to supporting our customers in making a just transition to the net zero carbon economy. Our residents purchase their own energy and emissions generated from our residents' use of their homes fall outside of Grainger's operational control. However we believe that providing an energy efficient home that delivers high levels of comfort for our residents and reduces the costs of running their homes is a core part of delivering high quality homes and great customer service. We are therefore committed to helping and encouraging our residents to reduce their energy use and associated emissions.

Data protection regulations limit our ability to measure the actual energy use and associated emissions generated by our residents, and to quantify the reductions we are making. However we are committed to improving our properties and helping our residents reduce their energy consumption. We are exploring opportunities to more accurately measure and report the reductions we are helping our residents to make, to enable Grainger to set a net zero carbon pathway for our Scope 3 emissions in the future.

INDUSTRY ADVOCACY

As the UK's largest listed residential landlord, Grainger is a market leader and committed to delivering a successful PRS market sector for the benefit of PRS residents, landlords and investors. This commitment includes ensuring the market is recognised for delivering energy efficient homes.

Grainger is a member of a number of industry bodies representing the PRS and real estate sectors, and we are working closely with some of these organisations to develop sector-level roadmaps for carbon reduction. This includes our involvement in the UK Green Building Council's Whole Life Carbon Taskforce and our contribution to the Council for Sustainable Business's project to develop a net zero carbon roadmap for the real estate sector. We are a signatory to the World Green Building Council's Net Zero Carbon Buildings Commitment and this pathway aligns to the best practice guidance published by the World and UK Green Building Councils.

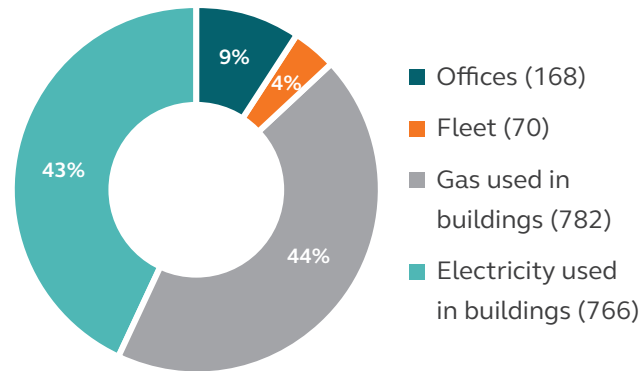




OUR BASELINE

Grainger’s commitment to achieve net zero carbon for the operation of our buildings was set in 2019 and we use our 2019 financial year as our baseline:

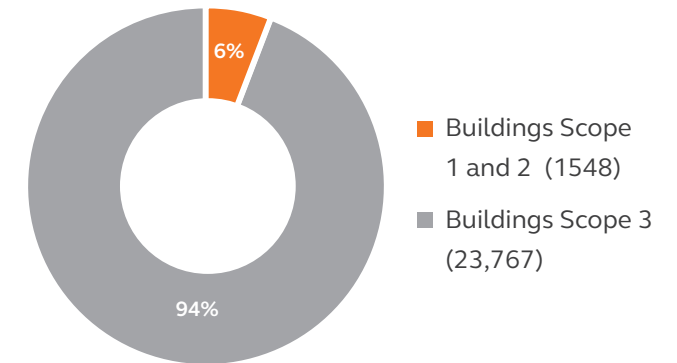
GRAINGER’S SCOPE 1 AND 2 CARBON EMISSIONS (TONNES OF CO₂E / %)



Although we are unable to include Scope 3 emissions from our residents’ use of our buildings within the scope of our formal commitment to achieve net zero carbon for the operation of our buildings by 2030, we have estimated these emissions based on the Energy Performance Certificates for these buildings.

The results of this analysis suggest over 90% of the emissions from our buildings result from the energy purchased and consumed by our residents. This highlights the importance of the initiatives we are undertaking to improve the energy efficiency of our homes and reduce our residents’ emissions, and we have therefore included these initiatives in this pathway document.

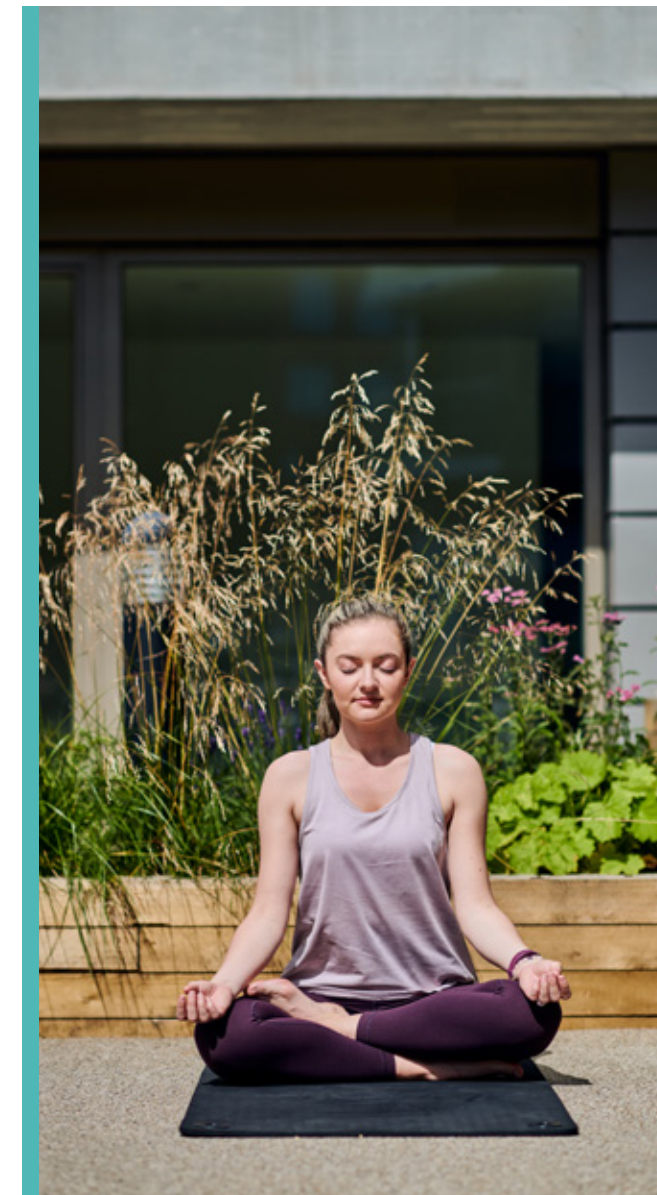
ESTIMATED CARBON EMISSIONS FROM GRAINGER’S BUILDINGS (TONNES OF CO₂E / %)



OUR NET ZERO CARBON PATHWAY ACTIONS

The following table sets out the key actions we are taking to reduce carbon from the operation of our buildings, and the metrics we are measuring to track our progress.

AIM	ACTIONS	METRICS
Using less energy	Undertaking common parts refurbishments to our buildings Rolling programme of unit refurbishments	% of existing assets refurbished % reductions in energy consumption post refurbishment EPC Energy Efficiency Ratings Energy intensity
Supplying energy efficiently	Replacing gas powered heating systems in existing buildings with electric systems Optimising design of new buildings through our design brief	Natural gas consumption / Scope 1 GHG emissions % of existing assets with gas boilers / heat pumps % of new assets with electric or low carbon heating
Renewable energy	Procuring renewable electricity for 100% of Grainger's supplies Generating renewable energy on Grainger sites where feasible	% of energy purchased which is renewable % of voids on renewable contract MWh of renewable energy generated
Offsetting	Offsetting any residual emissions we are unable to eliminate	Hectares of trees planted (assessed through Woodland Carbon Code) Tonnes of emissions offset



DETAILED COMMENTARY ON GRAINGER'S APPROACH

USING LESS ENERGY

GRAINGER'S DIRECT ACTION ON SCOPE 1 AND 2 EMISSIONS

As part of our long-term asset management activities, we undertake comprehensive refurbishments to the common parts of our buildings which are designed to improve their energy efficiency. A typical refurbishment includes a lighting upgrade with installation of lighting controls, and we undertake fabric upgrades such as window replacements and roof works where opportunities exist to future proof our assets. These refurbishments typically reduce the energy consumed in the building's common parts by between 30 and 50%.

OPPORTUNITIES TO REDUCE SCOPE 3 EMISSIONS

We have a programme of rolling refurbishments for units which will reduce the Scope 3 carbon emissions from the energy used by our customers to operate their homes. Refurbishments undertaken to individual units include many energy efficiency improvements including window replacements, installation of more efficient heating systems and insulation. We also install energy efficient appliances and provide guidance to our residents on how to use their appliances in the most efficient manner to minimise their energy consumption.

The resulting reductions in energy consumption are experienced by our customers in their directly-purchased energy usage and we are unable to accurately measure the reductions using actual emissions data at this time. Post refurbishment we undertake a new Energy Performance Certificate, and use these to estimate the potential improvement in the energy efficiency of our properties where we are unable to access actual energy consumption data. The data on EPCs is also used to estimate the emissions generated by our residents' use of their homes and we report this figure annually in our Streamlined Energy and Carbon Report in our Annual Report & Accounts. We have reduced the average emissions per unit and the overall emissions from our portfolio over time.



SUPPLYING ENERGY EFFICIENTLY

GRAINGER'S DIRECT ACTION ON SCOPE 1 AND 2 EMISSIONS

We are committed to transitioning away from natural gas to electric or low carbon heating systems. For existing assets which have communal gas heating and that we plan to own for the long term, we will remove these gas systems or replace them with electric or low carbon alternatives.

We have reviewed and updated our specification for new schemes and assess new potential acquisitions against our sustainability criteria including our preference to avoid fossil fuel heating. Where we can influence them, our new development projects are designed to use low carbon heating and where planning facilitates it, we opt for an all-electric heating system with air source heat pumps preferred. In some cases we are required to connect to a district heat network which is outside of our operational control, and we will influence the heat network operator to decarbonise the heat network.

OPPORTUNITIES TO REDUCE SCOPE 3 EMISSIONS

We have an opportunity to help our residents reduce their emissions by upgrading gas boilers in our apartments to electric or low carbon alternatives and are committed to undertaking this transition in alignment with the UK Government's Heat and Buildings Strategy. When undertaking unit level refurbishments, we consider the capital and operational costs and the carbon impacts of potential heating system upgrades to ensure we are undertaking this transition in a manner that ensures we continue to provide mid-market homes that are affordable for our customers to run.



RENEWABLE ENERGY

GRAINGER'S DIRECT ACTION ON SCOPE 1 AND 2 EMISSIONS

Grainger purchases renewable electricity for all eligible landlord supplies, which typically supply the common parts of Grainger's buildings. We are committed to purchasing renewable electricity for 100% of supplies.

We have made good progress towards this goal and now purchase renewable electricity for over 80% of supplies. Upon completion or acquisition of a new building, the landlord supplies are transferred across to the central contract in Grainger's name, however there is typically a lag time in transferring new properties which affects a small proportion of supplies. We are working closely with contractors and our energy broker to ensure supplies are transferred as quickly as possible.

The diversity of Grainger's portfolio of residential assets makes purchasing high quality renewable energy challenging. As we consolidate our portfolio into a more focused group of private rented sector assets, we will explore options for a Power Purchase Agreement to ensure the renewable energy we are consuming is higher quality, additional renewable supply.

Where possible we use available roof space for solar photovoltaics (PV) and now have seven assets generating renewable energy. On some assets the renewable energy generated is fed into the grid and on some assets it is used to supply the building's common parts. We are reviewing metering strategies for all assets with PV to enable the energy generated to be accurately measured and reported.

OPPORTUNITIES TO REDUCE SCOPE 3 EMISSIONS

Although our residents purchase their own energy and we cannot dictate which tariff they choose, we encourage them to use a renewable tariff. We are also rolling out a renewable void energy programme which will ensure every property is on a renewable electricity tariff when a new resident moves in. We hope this will encourage new residents to keep their electricity on a renewable tariff.

OFFSETTING RESIDUAL EMISSIONS

We intend to only use offsetting as a last resort where we are unable to eliminate emissions. We may have to offset a small amount of emissions which are likely to include emissions from any remaining gas used across our portfolio, such as gas used in void properties with a gas heating and hot water system.

We are exploring opportunities to use Grainger land for tree-planting to offset these emissions, and have earmarked some schemes for this purpose. However if we need to use existing offsetting schemes we will ensure we only use accredited schemes that meet the best practice recommended by the UK Green Building Council.



EMBODIED CARBON

This pathway document focuses on Grainger's commitment to achieve net zero carbon for the operation of our buildings. However we recognise that the development and maintenance of our buildings throughout their lifecycle also generates embodied carbon emissions and we are taking steps to measure and reduce the embodied carbon from our buildings.

Our ability to control the embodied carbon of our buildings is limited, as we primarily use a forward funded development model where the building's design and contractors are confirmed before Grainger commits to the project. However we ensure the design of all projects is reviewed against our brief and ESG criteria prior to proceeding. We work closely with our development partners and contractors to adapt the design and development of each scheme to align with Grainger's brief and ESG objectives as closely as possible.



We usually have greater control in the latter design stages, particularly the fit-out of the building. As Grainger will own and manage the finished building for the long-term, it is important to us to minimise the carbon impacts of our properties throughout their operation and ensure they are easy to maintain and refurbish during their lifecycle. We therefore focus on selecting long-lasting materials which reduce the embodied carbon during the operational stage. Current initiatives on some of our development projects include:

- 1 Specification of more durable products
- 2 Specification of products that are reused / recycled such as flooring with recycled content
- 3 A pilot project to target 10% recycled content in amenity fit out
- 4 Using modern methods of construction to minimise waste and carbon
- 5 Avoiding unnecessary wall and ceiling linings
- 6 A new partnership with AO for appliances which includes take back and recycling of all appliances.

We intend to improve our understanding of the embodied carbon associated with Grainger's buildings and to enhance our disclosure on this in the future. To facilitate this, we are engaging with our development partners and contractors to collate information about the embodied carbon of our existing development projects and explore opportunities for carbon reduction.

GOVERNANCE AND DISCLOSURE

This document has been reviewed and approved by Grainger's Board of Directors. Grainger's Board of Directors and Executive Committee receive a biannual update on our progress towards achieving our net zero carbon commitment.

We are committed to reporting transparently on our progress towards our net zero carbon commitment and will publish regular updates.

An overview of the company's emissions performance is included in the Streamlined Energy and Carbon Report within the Annual Report and Accounts, with a portfolio breakdown included in the EPRA aligned Sustainability Report available to download here: <https://corporate.graingerplc.co.uk/responsibility>

For more information on Grainger's ESG disclosure or this pathway document, please contact Grainger's Head of Sustainability:

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Live Well.**

